

Kiri Oilfield Services Private Limited

January 06, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	95.92 (Enhanced from 57.72)	CARE BBB-; Stable	Reaffirmed
Short-term bank facilities	37.90 (Enhanced from 12.90)	CARE A3	Reaffirmed
Long-term / Short-term bank facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Kiri Oilfield Services Private Limited (KOSPL, erstwhile known as Kiri and Company Logistics Private Limited) continue to derive strength from its experienced and resourceful promoters, diversified revenue profile and established track record in service industry. Ratings further derive strength from moderate scale of operations with healthy profitability margins in FY24 (audited, FY refers to April 01 to March 31) and healthy order book, comfortable capital structure and moderate debt coverage indicators. Ratings also factor in good business prospects for oil and gas service providers considering revised hydrocarbon licensing and exploration policy.

However, rating strengths are constrained by its limited track record in oil and gas segment and drilling rigs business along with project risk associated with debt funded capex for rigs purchase, presence in competitive rigs service business which is also susceptible to volatile day rates due to its linkages with crude oil prices and high competition in oil and gas industry.

CARE Ratings Limited (CARE Ratings) has withdrawn the outstanding ratings of 'CARE BBB-; Stable/ CARE A3' assigned to one of KOSPL's bank facilities with immediate effect as the letter of credit facility is closed and there are no dues against this facility.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations with total operating income (TOI) of over ₹250 crore with profit before interest lease rentals, depreciation and taxation (PBILDT) margin of over 25% on a sustained basis.
- Improvement in capital structure and debt coverage indicators marked by below 0.50x overall gearing.

Negative factors

- De-growth in TOI below ₹125 crore with PBILDT margin below 15% on a sustained basis.
- Deterioration in capital structure and debt coverage indicators marked by overall gearing of greater than 1.5x or more and total debt to gross cash accrual (TD/GCA) of five years or more.
- Elongation in working capital cycle by over 90 days leading to stretched liquidity position.
- Non deployment of the rigs in timely manner.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings expects the company would be able to maintain its risk profile in the medium term, considering its established operations in service segment, diversified revenue profile and healthy order book position.

Detailed description of key rating drivers:

Key strengths

Experienced and resourceful promoters

Lalit Kumar Kiri, the company's managing director possess over two decades of experience in the industry and Ramchand with four decades of industry experience and Pawan Kumar with almost two decade of industry experience. KOSPL is further supported by experienced second tier management. Promoters and related parties are resourceful and has supported the operations through infusion of interest-bearing unsecured loans which stood at ₹23.20 crore as on March 31, 2024.

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

Diversified revenue profile with established track record in service industry

KOSPL generates its revenue from service segment, trading, construction segment, drilling rigs, and oil and gas segment which contributed 49%, 13%, 7%, 20% and 10% of its TOI in FY24, respectively. KOSPL has long track record of operations in providing services to oil and gas industry including construction and supply of portable bunkhouse, construction equipment rental services, transportation vehicle, catering services and manpower services. Over the years it has developed asset base and established relation with its clients, however, it generates majority of its service income from Barmer, Rajasthan and nearby areas. In October 2020, the company entered into joint venture agreement with Vishnu Prakash R Punglia Limited (VPRPL; rated CARE BBB+; Stable / CARE A3+) under the name "VPRPL-KOSPL HARRA JV" for construction and maintenance of water supply project at Kadara, Newari and Harra in Uttar Pradesh. KOSPL has completed construction works of ₹102.22 crore till FY24 out of total project cost of ₹136 crore. From FY23 onwards, the company forayed into drilling rigs service for oil and gas exploration industry. It is expected that proportion of revenue from drilling rigs business will increase going forward.

Moderate scale of operations with healthy profitability margins

KOSPL's scale of operations marked by TOI remained stable at ₹163.32 crore in FY24 against ₹157.59 crore in FY23. Construction segment revenue declined, whereas service and drilling rig segment revenue improved sequentially. The company has achieved ₹69.85 crore of TOI in H1FY25.

KOSPL maintained its healthy profitability marked by PBILDT margin above 25% in FY23-FY24 as against ~20% during previous years mainly due to increased proportion of the revenue from the drilling rig services which has comparatively higher margin.

Healthy order book position

KOSPL has a healthy order book position with unexecuted work orders worth ₹519.00 crore as on December 09, 2024, excluding production enhancement contract in Assam since this is not yet commenced owing to delay from the authority side. Orderbook comprises of ₹223.08 crore from service segment, ₹23.52 crore from construction segment, ₹128.40 crore from drilling rig segment and ₹144 crore from oil and gas segment. In H1FY24, it has received the production enhancement contract for Oil India Limited for Rajgarh and Bordubi marginal oil fields with Assam Mineral Corporation Development Limited (AMCD) for 15 years; the project work is expected to commence from FY26 onwards.

Comfortable capital structure and moderate debt coverage indicators

The company's capital structure remained comfortable marked by overall gearing of 0.85x as on March 31, 2024 (PY: 1.02x). The company's net worth stood at ₹79.68 crore as on March 31, 2024, which includes USLs from promoters worth ₹22 crore as on March 31, 2024, as this is subordinated to bank debt per bank sanction terms. Debt coverage indicators remained moderate with interest coverage ratio of 4.18x (PY: 4.15x) and TD/GCA of 2.52x (PY: 2.41x) for the year ended on March 31, 2024. However, overall gearing is expected to moderate as on FY25 end considering a new term loan availed for the procurement of two new rigs which is expected to be deployed in Q1FY26.

Good business prospects for oil and gas service providers, considering revised hydrocarbon licensing and exploration policy

Government of India aims at reducing the country's dependence on oil imports which remains high at ~87% in FY24. The government has taken several steps to enhance exploration and production (E&P) of oil and gas in the country such as Policy for Relaxations, Extensions and Clarifications under Production Sharing Contract (PSC) regime for early monetisation of hydrocarbon discoveries, formulation of revised licensing policy by replacing New Exploration and Licensing Policy (NELP) with Hydrocarbon Exploration and Licensing Policy (HELP), Open Acreage Licensing Policy (OALP), Policy for early monetisation of Coal Bed Methane, Setting up of National Data Repository among others. The government also launched the Discovered Small Field (DSF) policy which aims to bring marginal fields, unmonetized discoveries and relinquished discoveries into production on priority basis. This policy initiatives are likely to increase the pace of E&P activities and thus likely to bring additional business opportunities for players such as KOSPL.

Key weaknesses

Limited track record in oil and gas segment

KOSPL entered production enhancement contract for oil fields of Oil India Limited with AMCD for the Rajgarh and Bordubi fields for 15 years. Under this contract, KOSPL will get operational expenses for maintaining baseline production and get additional revenue for increasing production. There is delay in implementation of the project which now the management expects to commence from FY26 onwards. Also, there is a risk associated with availability of oil and gas on the location and is linked to crude oil prices. Given that KOSPL has limited experience in the industry, returns from this business segment by ramping-up of revenue from oil and gas segment and its bearing on overall financial risk profile is a key credit monitorable.

Limited track record in drilling rigs business and further debt-funded capex

KOSPL entered the drilling rig business with the acquisition of three rigs in FY23 and up to H1FY25, the company had generated approximately ₹97 crore in revenue from this segment. However, it has under-achieved the projections for FY24 due to delay in deployment of one of the oil drilling rigs. KOSPL is undergoing capex for an estimated cost of ~₹50 crore to procure two additional drilling rigs that will be funded through term debt of ₹35 crore and balance from internal accruals. Negotiations for the leasing of these rigs is underway and it is expected to be deployed by Q1FY26.

Intense competition in the rigs service business which is also susceptible to volatile day rates due to its linkages with crude oil prices and high competition in oil and gas industry

Drilling rigs service orders are availed through tendering; hence it remains exposed to competition in the industry. The company also remains exposed to the risk of non-renewal of contracts on their expiry which is, however, inherent in the oil and gas industry as it is linked to the capex and growth plans of the major oil and gas E&P companies. The company also remains exposed to risks associated with volatility in day rates of rigs, which largely move in tandem with crude oil prices and hence are volatile. KOSPL is a small-sized player operating in intensely competitive and fragmented industry, where projects are awarded based on relevant experience of the bidder, financial capability, and most attractive bid price. The competitive intensity is considering the presence of large number of contractors resulting in aggressive bidding which restricts the margins. Due to low counterparty credit risk and a relatively stable payment track record associated with projects funded by central and state government bodies, these projects are lucrative for contractors and hence remained highly competitive.

Liquidity: Adequate

Liquidity position remained adequate with sufficient cash accruals which are adequate for long term debt repayment and moderate operating cycle and healthy CFO in FY24. KOSPL reported CFO of ₹43 crore in FY24 (PY: ₹21.47 crore) considering improved operating performance. The company's operating cycle elongated, however, remained moderate at 56 days in FY24 from 39 days in FY23 owing to higher receivables as on March 31, 2024, which are realised subsequently. KOSPL is expected to generate annual GCA of ~₹30-40 crore in FY25-FY27 against scheduled debt repayment obligation to the tune of ~₹11-13 crore per annum. However, the average utilisation of fund based working capital facilities remained almost full during last 12-months ended November 2024.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal policy](#)

[Service Sector Companies](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Energy	Oil, gas and consumable fuels	Oil	Oil equipment and services

KOSPL (formerly known as Kiri and Company Logistics Private Limited) was initially formed by Lalit Kumar Kiri in 2002 as a proprietorship company. In 2011, Lalit Kumar Kiri, Pawan Kumar and Ram Chand reconstituted the firm as a company. The company has presence in oil and gas sector including services to oil and gas companies (portable bunkhouse, catering, manpower and equipment leasing), drilling rig and production of crude oil and natural gas from marginal fields. The company is also engaged in engineering procurement and construction (EPC) work of water supply project and trading agri-commodities.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (P)
Total operating income	157.59	163.32	69.85
PBILDT	41.31	41.32	NA
PAT	12.47	11.91	
Overall gearing (times)	1.02	0.85	
Interest coverage (times)	4.15	4.18	

A: Audited, P: Provisional, NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: CRISIL had reviewed ratings of KOSPL under Issuer not cooperating category vide press release dated September 19, 2024, on account of its inability to carry out a review in the absence of the requisite information from the company.

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-Bank Overdraft		-	-	-	24.04	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	31/03/2032	71.88	CARE BBB-; Stable
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	0.00	Withdrawn
Non-fund-based - ST-Bank Guarantee		-	-	-	37.90	CARE A3

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-Term Loan	LT	71.88	CARE BBB-; Stable	-	1)CARE BBB-; Stable (09-Oct-23)	1)CARE BB+; Positive (21-Nov-22) 2)CARE B; Stable; ISSUER NOT COOPERATING * (17-Jun-22)	1)CARE B; Stable; ISSUER NOT COOPERATING * (08-Apr-21)
2	Fund-based - LT-Bank Overdraft	LT	24.04	CARE BBB-; Stable	-	1)CARE BBB-; Stable (09-Oct-23)	1)CARE BB+; Positive (21-Nov-22) 2)CARE B; Stable; ISSUER NOT COOPERATING * (17-Jun-22)	1)CARE B; Stable; ISSUER NOT COOPERATING * (08-Apr-21)
3	Non-fund-based - ST-Bank Guarantee	ST	37.90	CARE A3	-	1)CARE A3 (09-Oct-23)	1)CARE A4+ (21-Nov-22) 2)CARE A4; ISSUER NOT COOPERATING * (17-Jun-22)	1)CARE A4; ISSUER NOT COOPERATING * (08-Apr-21)
4	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	-	-	-	1)CARE BBB-; Stable / CARE A3 (09-Oct-23)	1)CARE BB+; Positive / CARE A4+ (21-Nov-22)	-

*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-Bank Overdraft	Simple
2	Fund-based - LT-Term Loan	Simple
3	LT/ST Fund-based/Non-fund-based- CC/WCDL/OD/LC/BG	Simple
4	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view 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 for clarifications.

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