

Joshi Technologies International Inc. India Projects

February 10, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	12.11 (Reduced from 18.40)	CARE A+; Stable	Reaffirmed
Long-term / Short-term bank facilities	10.00	CARE A+; Stable / CARE A1+	Reaffirmed

Details of facilities in Annexure -1

Rationale and key rating drivers

The ratings assigned to bank facilities of Joshi Technologies International Inc. India Projects (JTIP) continue to consider rich experience of its promoters in the oil & gas sector, good revenue visibility in the medium term from production sharing contract (PSC) for existing oil fields, healthy profitability, comfortable capital structure, strong debt coverage indicators and strong liquidity. The ratings further derive strength from an escrow mechanism in place for its receivables from Indian Oil Corporation Limited (IOCL) under bank sanction terms and absence of oil exploration risk due to operations in oil field development and extraction activities.

The ratings, however, continue to be constrained by JTIP's moderate scale of operations and profitability margins, which are susceptible to volatile crude oil prices coupled with geographical concentration of oil wells. The ratings are also constrained by event-based risk associated with crystallisation of disputed income tax liability and inherently depleting crude oil reserves. The past track record of operating efficiency and sound oil production practices are expected to support production volume in the medium term.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant growth in scale of operations through greater geographical diversification of oil & gas assets and higher production volume while maintaining healthy profit before interest, lease, depreciation, and tax (PBILDT) margin.

Negative Factors:

- Significantly declining sales volume and total operating income (TOI) leading to moderation in debt coverage indicators.
- Moderating operating profitability marked by PBILDT margin of less than 20% on a sustained basis.
- Adverse ruling by the apex court in the income tax liability case against the company, resulting in significant cash outflow.

Analytical approach: Standalone

The above rating is assigned to debt raised by the Indian project office of Joshi Technologies International Inc. USA (JTII), which satisfies following conditions:

1. Assets being financed are in India.
2. Debt is secured.
3. Income from the project office is ring fenced (revenue generated from the oil field is escrowed and first utilised for debt servicing. As such, repatriation of project assets/cash is only after satisfactory discharge of project debt servicing liabilities).

Outlook: Stable

A 'Stable' outlook reflects CARE Ratings Limited's (CARE Ratings) expectation that the entity will continue to benefit from its strong parentage (having vast experience in the industry) in terms of support and technical know-how, which shall enable it to sustain operational performance in the medium term.

Detailed description of key rating drivers

Key strengths

Rich experience of promoters and management in oil & gas sector

Dr Sadanand Joshi is widely known in the oil & gas industry as a pioneer of the horizontal drilling technology. Dr Joshi has been a consultant in over 200 oilfield projects in more than 35 countries for applying horizontal drilling technology. Dr Joshi's wife Claudette Joshi is a director at JTII and both operate from the USA. Promoters are ably supported by a team of experienced professionals. Vrunda Shastri currently heads India operations, under JTIP.

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

Good operating efficiency due to sound oil production practices despite moderate oil production in last few years

As on December 31, 2024, JTIP had 41 producing wells including newly operationalised three wells in Q1FY24 (refers to April 01 to March 31). Production from these oil fields reached peak of ~915 barrels per day (bpd) in FY19, and since then, has exhibited declining trend from inherently depleting oil fields. JTIP has registered healthy average daily production in the past despite of depleting nature of its oilfields. It was due to consistent increase in number of producing wells coupled with efficient production techniques, such as water flooding, single well treatment, fracturing, and acidic treatment, among others towards oil recovery. JTIP also produces gas (~8-10% of TOI), which is sold to ceramic manufacturers at market price. It also owns one work-over rigs, resulting in operational synergy. With strong technical expertise, CARE Ratings expects JTIP to partly recover declining crude volume in the short term with production from proposed new oil well at Dholka field.

Revenue visibility with PSC in place and healthy profitability

The Ministry of Petroleum and Natural Gas (MoPNG) approved JTIP's proposal to extend PSC for its Dholka and Wavel oil fields in Gujarat till February 2028, under extant policy, providing revenue visibility for JTIP. However, based on amended PSC and extant policy, sharing of higher 'profit petroleum', royalty and cess with the GoI has led to increased operating expenses in the last few years.

Overall, JTIP has healthy profitability marked by its PBILDT margin of 29.62% in FY24, though it deteriorated from 36.32% in FY23 on account of proportionate increase in profit petroleum share to government and other expense in the year. Consequently, PAT margin also decreased significantly from 26.22% in FY23 to 3.92% in FY24 owing to decrease in operating margin and reporting of deferred tax liability to the tune of ₹14.66 crore in FY24 related to depreciation on producing properties in line with ITAT allowed high depreciation of 40% in case of oil wells.

Comfortable capital structure and strong debt coverage indicators

JTIP's capital structure marked by its overall gearing ratio remained comfortable at 0.09x as on March 31, 2024, against 0.06x as on March 31, 2023. The company's tangible net worth (TNW) decreased from ₹189 crore as on March 31, 2023, to ₹178 crore as on March 31, 2024, due to repatriation of funds to the tune of US\$2.4 million in FY24 (PY: US\$2.4 million) to parent entity JTII. Post meeting its operational and financial obligation JTIP, repatriates fund to JTII.

Overall debt coverage indicators deteriorated owing to decrease in operating profit against increase in interest expense in tandem with total debt, though it continued to remain strong marked by PBILDT Interest coverage, total debt to gross cash accruals (TD/GCA) and TD/PBILDT of 26x, 0.56x and 0.37x respectively in FY24 (PY: 99x, 0.25x and 0.21x respectively). The debt coverage indicators continued to remain strong in 9MFY25 marked by PBILDT Interest coverage, TD/GCA and Total debt to PBILDT of 43x, 0.23x and 0.19x respectively (PY: 35x, 0.45x and 0.30x).

CARE Ratings expects JTIP's capital structure and debt coverage indicators to remain comfortable despite expected fund repatriation to parent every year as no incremental term debt is expected to be tied up in medium term.

Escrow of entire receivables from IOCL

Under the PSC, IOCL is the sole customer of JTIP. Based on the bank sanction term, bank debt repayment is done from JTIP's cash flow, which was secured by escrow of entire receivables of IOCL.

Key weaknesses

Moderate scale of operation

JTIP's revenue depends on crude oil production from its oil well and global crude oil prices. Overall, these oil fields are depleting and have exhibited declining crude oil production.

In FY24, crude oil production increased by ~7% to 2,19,392 barrel on the back of operationalization of three newly drilled oil wells in Q1FY24, however, average sales realisation moderated by ~11% on Y-o-Y basis in FY24. As a result, JTIP's TOI remained relatively stable at ₹152 crore in FY24 (PY: ₹156 crore).

In current year, JTIP's TOI decreased by 9% Y-o-Y from ₹116 crore in 9MFY24 to ₹105.00 crore in 9MFY25 as benefit from three new wells started to subside as marked by 6% Y-o-Y volume decrease. JTIP plans to drill one new well at Dholka site, which is already approved by Director General of Hydrocarbon in 58th management committee meeting in June 2024.

Profitability vulnerable to volatile crude oil prices

Crude oil price is inherently volatile and depends on international demand-supply and global economic scenario. It is also impacted by various geo-political considerations in key oil-producing countries. Crude oil price is highly volatile and depends on various factors including policies by major producers of crude oil, global as well as regional demand-supply dynamics, geopolitical situations, and economy growth prospects. After being range-bound for couple of years, crude price (brent) fell sharply in early March 2020 with a supply glut by Saudi Arabia and Russia, later aggravated from a decline in demand for petroleum products due to COVID-19 induced disruptions. However, oil prices have started recovering steadily from lows of

March 2020 and touched a high in March 2022. Post that, crude prices have started declining from inflationary scenarios across the globe and hovering in range of US\$70-90 per barrel during period from August 2022 to December 2024.

JTIP managed to successfully navigate through peaks-and-troughs in global crude oil prices from healthy operating efficiency and conservative stance on availing external debt.

Geographical concentration of oil wells

As on December 31, 2024, JTIP had 51 oil wells, of which 21 were originally drilled by ONGC and balance were developed by JTIP. Among these, 41 are producing wells (38 at Dholka oil field and three at Wavel oil field), three water injection wells, one suspended, and six wells are dry or abandoned. Having maximum producing wells at a single location exposes JTIP to event-based risk arising from geographical concentration.

Large contingent liabilities

In FY08, Income Tax (IT) authorities issued a show cause notice for disallowing claim under section 42 (claim of capital expenditure for drilling of wells) to JTIP. JTIP had contested the claim in Hon'ble Delhi High Court (DHC). In May 2015, the DHC pronounced its judgement and rejected JTIP's claim. JTIP filed a special leave petition (SLP) with the Hon'ble Supreme Court of India (SC) for granting stay against the DHC judgement. The SC, vide its order dated May 14, 2015, rejected the petition filed. The contingent liability was ₹145.35 crore as on March 31, 2023, which increased to ₹158.43 crore as on March 31, 2024. Against this, CARE Ratings notes that, JTIP has reported ₹75.72 crore as advance tax as on March 31, 2024 (₹71.51 crore as on March 31, 2023).

JTIP filed a writ petition before the Hon'ble Gujarat High Court (GHC) against retrospective application of provision to section 80IB of the Income Tax Act 1961. The judgement ruled in favour of JTIP. However, IT department has filed a writ petition against the decision with the SC and the matter is currently sub-judice. Future cash outflows in respect of tax liabilities are determinable only on receipt of judgements/decisions pending at forums authorities. Adverse outcome of pending income tax-related cases will be key rating monitorable.

JTIP's adjusted overall gearing by excluding contingent liability net of free cash and bank balance from net worth was 0.91x as on March 31, 2024 (0.74x as on March 31, 2023).

Liquidity: Strong

JTIP's liquidity position was strong marked by healthy cash flow from operations (CFO) and unencumbered cash and bank balance coupled with nil utilisation of working capital limit as well as moderate cash accruals against low scheduled debt repayment obligations.

Average fund based working capital utilisation remained nil in the last 12 months ended in December 2024. JTIP's liquidity is further underpinned from free cash and cash equivalents maintained every year even after repatriation of profits to the parent entity in USA. The company had cash and bank balance of ₹13 crore as on March 31, 2024 (PY: ₹17 crore). JTIP has reported GCA of ₹30 crore in FY24 and it is expected to generate GCA of ₹27-28 crore in FY25-FY27 against schedule debt repayment obligation to the tune of ~₹3.5-6.5 crore annually in the same period. The company's CFO decreased in tandem with operating profit, though it remained healthy at ₹26 crore in FY24 (PY: ₹41 crore).

The company's operating cycle continue to remain moderate at 47 days in FY24 against 40 days in FY23.

Assumptions/Covenants: Not applicable

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

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[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 exploration & production

About JTII: JTII was incorporated by Dr Sadanand Joshi in 1988 in Tulsa, Oklahoma, USA. JTII provides consultation, software development, and instruction seminars related to horizontal oil & gas well drilling technology. JTII also participates in oil & gas exploration, development and management activities in India, Colombia, and the USA. International oil & gas companies are JTII's principal customers in these areas.

About JTIP: JTII is a foreign company under Indian laws and files income tax return in India as a foreign entity. Indian operations of JTII are looked after by its project office, JTIP, which maintains separate accounts. JTIP is engaged in development and production of crude oil and natural gas in India through onshore assets. JTIP has participating interest in two oil fields: Dholka and Wavel near Ahmedabad, Gujarat comprising 41 producing oil wells through a production sharing contract (PSC) signed with Government of India (GoI). The PSC initial term was for 18 years up to February 2013, which was subsequently extended for another five years, up to February 2018. The Ministry of Petroleum and Natural Gas approved the proposal of extending Production Sharing Contracts for Dholka and Wavel fields for 10 years till February 2028, under the extant policy vide its letter dated November 07, 2017.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Total operating income	155.79	151.52	105.00
PBILDT	56.58	44.88	47.83
PAT	40.85	5.95	32.00
Overall gearing (times)	0.06	0.09	0.06
Interest coverage (times)	99.26	25.58	43.48

A: Audited; UA: Unaudited. 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-Term Loan	-	-	-	December 2026	12.11	CARE A+; Stable
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	-	-	-	-	10.00	CARE A+; Stable / CARE A1+

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	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	10.00	CARE A+; Stable / CARE A1+	-	1)CARE A+; Stable / CARE A1+ (04-Mar-24)	1)CARE A+; Stable / CARE A1+ (28-Feb-23) 2)CARE A+; Stable / CARE A1+ (07-Feb-23)	1)CARE A+; Stable (23-Mar-22)
2	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (23-Mar-22)
3	Non-fund-based - ST-Letter of credit	ST	-	-	-	-	1)Withdrawn (07-Feb-23)	1)CARE A1+ (23-Mar-22)
4	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	-	-	-	-	1)Withdrawn (07-Feb-23)	1)CARE A+; Stable / CARE A1+ (23-Mar-22)
5	Fund-based - LT-Term Loan	LT	12.11	CARE A+; Stable	-	1)CARE A+; Stable (04-Mar-24)	1)CARE A+; Stable (28-Feb-23) 2)CARE A+; Stable (07-Feb-23)	-

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-Term Loan	Simple
2	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	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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About us:

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Disclaimer:

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