

January 20, 2014

**CARE REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES OF  
JOSHI TECHNOLOGIES INTERNATIONAL INC - INDIA PROJECTS**

**Rating**

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Remarks
Long-term Bank Facilities	56.50	CARE A+ (Single A Plus)	Reaffirmed

**Rating Rationale**

The rating continues to favourably take into account the rich experience of the promoters of Joshi Technologies International Inc - India Projects (JTIIP) in the oil and gas sector, good operating efficiency of its onshore assets, satisfactory level of reserves in its existing operational oil fields and the absence of oil exploration risk due to its presence in only oil field development activities. The rating also takes in to account JTIIP's comfortable leverage and debt coverage indicators which are supported by its healthy profitability and liquidity. The rating continues to draw additional comfort from the escrow of receivables of Indian Oil Corporation Limited (IOCL).

The rating, however, continues to be constrained by its moderate; albeit growing scale of operations, geographical concentration risk due to single-location oil producing wells, relatively low recovery of oil on account of the inherent geological complexity, susceptibility of margins to volatile global crude oil prices and project risk associated with the development of new wells although partially mitigated with three out of the envisaged five wells becoming operational. The rating is further constrained by the event-based risk associated with crystallization of its disputed income tax liability.

JTIIP's ability to increase the scale of its operations through greater geographical diversification of its oil & gas assets, complete the development of the remaining oil wells within the envisaged cost and time parameters along with cost effective oil recovery thereof, manage risk associated with volatile crude oil prices; and the extent of crystallization of disputed income tax liability would be the key rating sensitivities.

Furthermore, the assets being financed are located in India, the entire rated debt is secured in nature and income from the project office is ring-fenced (revenue from the oil field is escrowed and first utilized for debt servicing).

**Background**

Joshi Technologies International Inc (JTII), USA, was incorporated by Dr Sadanand D. Joshi in 1988 at Tulsa, Oklahoma, USA. JTII participates in oil and gas exploration, development and management activities in India, Colombia, Canada, Ecuador and the United States of America. The Indian operations of JTII are run by its project office JTIIP. JTIIP is engaged in the development and production of crude oil and natural gas in India through the on-shore assets located at Dholka and Wavel near Ahmedabad in Gujarat. It has signed a production sharing contract (PSC) with the Government of India (GoI) whose term currently extends up to February 2018.

JTIIP earned a PAT of Rs.37.33 crore on a Total Operating Income (TOI) of Rs.179.34 crore in FY13 (refers to the period April 1 to March 31) as against a PAT of Rs.45.35 crore on a TOI of Rs.139.29 crore in FY12. Furthermore, as per the provisional results for 9MFY14, JTIIP earned a PAT of Rs.50.40 crore on a TOI of Rs.155.59 crore.

<sup>1</sup> Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

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