

Jindal Drilling & Industries Limited

February 28, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank facilities	20	CARE BBB+; Stable ISSUER NOT COOPERATING* (Triple B Plus; Outlook: Stable I SSUER NOT COOPERATING*)	Issuer Not Cooperating; Based on the basis of best available information
Short-term Bank facilities	100	CARE A3+: ISSUER NOT COOPERATING* (Single A Three Plus; ISSUER NOT COOPERATING*)	Issuer Not Cooperating Based on Best Available Information
Total	120 (Rupees One Hundred and Twenty Crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

Jindal Drilling and Industries Limited has not paid the surveillance fees for the rating exercise agreed to in its rating agreement. In line with the extant SEBI guidelines, CARE's ratings on Jindal Drilling & Industries Limited's bank facilities will now be denoted as **CARE BBB+; Stable ISSUER NOT COOPERATING*/ CARE A3+; 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).

Detailed description of key rating drivers

The ratings take into account the strong parentage of D.P. Jindal Group, Long track record of operations in drilling and allied services, industry scenario, improved FY19 performance and exposure to group entities.

Detailed description of the key rating drivers

At the time of last rating on September 04, 2018, the the rating strengths and weaknesses (updated for the information available from stock exchange and client for the period FY19 and 9MFY20) are included below:

Key Rating Strengths

Experienced promoters

JDIL is part of the D P Jindal Group. Found in 1952, the group has interests in steel, pipes, power, etc. Mr. Jindal has vast experience in engineering and exploration and is presently the Chairman of Jindal Pipes Limited, Maharashtra Seamless Limited and Jindal Drilling & Industries Limited.

Long track record of operations -JDIL has more than three decades of experience in offshore drilling and allied services. The quality and efficient service rendered by the company has made it establish the long-standing relationship with India's leading upstream companies.

Industry scenario and prospects

The US Brent crude prices have been witnessing a declining trend since September 2014. The rates dropped by 52% from \$108 per barrel in March 2014 to around \$56.70 per barrel in March 2018. The historic speed and scale of decline in crude prices led to decline in operating margins of the upstream players, and thus cutting of their capex budgets. Lower demand resulted in fall in the daily rig rates for drilling companies. But the sector remains important with Govt's goal of strengthening energy security and various initiatives taken by the Indian Government like revising of licensing policy t, viz. 'Hydrocarbon Exploration and Licensing Policy (HELP)' to address issues such as licensing requirements, cost finalization and gas pricing which presently beleaguer the E&P industry, is likely to increase the pace of E&P activities and thus likely to bring additional business opportunities for oil and gas field service providers like JDIL.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

Financial Profile

The TOI of the company improved in FY19 to Rs. 256.52 crore from Rs. 188.38 crore in FY18 (i.e. improved by ~36%) mainly account of deployment of Jindal Explorer rig from May 2018. Further, the company earned a PBILDT margins of 22.94% in FY19 as against the PBILDT loss reported in FY18. The adjusted overall gearing (adjusted for exposure in the group companies) of the company moderated to 5.43x as on March 31, 2019 (PY: 0.49) on account of increase in total debt and exposure to group companies. However, Interest coverage ratio of the company remained comfortable at 4.36x in FY19.

9MFY20 performance: The company has achieved total income of Rs. 146.84 crore in 9MFY20 as against Rs. 193.73 crore in 9MFY19 as in the FY 2019-20, the Rig Jindal Supreme was de-hired in the first week of May 2019. The company earned a PBILDT margins of ~28% in 9MFY20.

Key Rating Weaknesses

Exposure to group companies

JDIL has significant exposure in overseas group entities to the tune of Rs. 794.78 crore as on March 31, 2019 in the form of equity investments of Rs.186.62 crore (PY: Rs.186.62 crore) and loans and advances of Rs.608.17 crore (PY: Rs.483.31 crore). Also, JDIL has provided corporate guarantee of ~Rs.188.63 crore to the bank loan availed by Discovery Drilling Pte Ltd . as on Mar 31, 2019. However, the corporate guarantee as on Feb 25, 2020, doesn't exist as the same asset has been bought over by JDIL.

Volatility in the prices of rig

Revenue, profitability and cash flows in the rig operations business depend on offshore charter rates, which are influenced by offshore and deep-water expenditure by oil majors which are highly sensitive to crude oil prices. With slowdown in global oil and gas, the capex charter rates for offshore vessels and rigs have fallen in the recent years.

Analytical approach: Standalone factoring linkages with the group

Applicable Criteria

- [Policy in respect of Non-cooperation by issuer](#)
- [Criteria on assigning Outlook to Credit Ratings](#)
- [CARE's Policy on Default Recognition](#)
- [Rating Methodology-Service Sector Companies](#)
- [Criteria for Short Term Instruments](#)
- [Financial ratios – Non-Financial Sector](#)
- [Rating Methodology: Consolidation and Factoring linkages in ratings](#)

About the Company

Jindal Drilling & Industries Limited (JDIL), part of the Dharam Pal Jindal Group (DP Jindal Group), is a leading Indian company in offshore drilling and allied services including directional drilling and mud logging. Founded in 1952, the D P Jindal group also has interests in steel, pipes, power, etc. JDIL takes rigs on lease from group companies or third parties and provides drilling services to upstream companies in Mumbai Offshore (Bombay High) region. The company also provides mud-logging and directional drilling services to onshore sites. Also, in Q1FY19 the company has reported operating income of Rs.70.80 crore with PBILDT of Rs.19.62 crore and PAT of Rs.9.93 crore.

(Rs. crore)

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	188	257
PBILDT	(20)	59
PAT	(15)	34
Overall gearing (times)	0.08	0.19
Interest coverage (times)	(5.36)	4.36

A: Audited;

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	20.00	CARE BBB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-BG/LC	-	-	-	100.00	CARE A3+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	20.00	CARE BBB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE BBB+; Stable (04-Sep-18)	1)CARE A-; Negative (13-Sep-17)	1)CARE A (31-May-16)
2.	Non-fund-based - ST-BG/LC	ST	100.00	CARE A3+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A3+ (04-Sep-18)	1)CARE A2+ (13-Sep-17)	1)CARE A1 (31-May-16)

*Issuer did not cooperate; Based on best available information

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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