

Jindal Drilling and Industries Limited
September 02, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating¹	Rating Action
Long term Bank Facilities	-	-	Reaffirmed at CARE BBB+; Stable; ISSUER NOT COOPERATING (Triple B plus; Outlook: Stable; Issuer not cooperating) and Withdrawn
Short term bank Facilities	-	-	Reaffirmed at CARE A3+; ISSUER NOT COOPERATING and Withdrawn (A Three Plus; Issuer not cooperating)
Long term Bank Facilities	-	-	Withdrawn
Short term bank Facilities	-	-	Withdrawn
Total			

Details of facilities in Annexure-1

Detailed Rationale, Key Rating Drivers

CARE had, vide its press release dated February 28, 2020, placed the rating(s) of Jindal Drilling and Industries Limited under the 'Issuer non-cooperating' category as Jindal Drilling and Industries Limited has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. Jindal Drilling and Industries Limited continue to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter dated June 23, 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

CARE has reaffirmed and withdrawn the outstanding ratings of CARE BBB+; Stable; ISSUER NOT COOPERATING/CARE A3+; ISSUER NOT COOPERATING' [Triple B plus; Outlook: Stable; Issuer not cooperating / A Three Plus; Issuer not cooperating] assigned to the bank facilities of Jindal Drilling and Industries Limited with immediate effect. The above action has been taken at the request of Jindal Drilling and Industries Limited and 'No Objection Certificate' received from two banks that have extended a part of the facilities rated by CARE and as the company has surrendered the rest of facilities rated by us and there is no outstanding under the said facility as on date.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The ratings assigned to the bank facilities of Jindal Drilling & Industries Ltd (JDIL) take into account the strong parentage of D.P. Jindal Group, long track record of operations in drilling and allied services, improved FY20 performance and moderate financial risk profile. The ratings however remain constrained by JDIL's large exposure to group entities and volatility in the prices of rig.

Detailed description of the key rating drivers:

At the time of last rating on February 28, 2020, the following were the rating strengths and weaknesses (updated for the information available from stock exchange for the period FY20 and Q1FY20):

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

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 crude price (Brent) has fallen sharply since March 2020 touching USD 19/bbl in April 2020 and recovered to the level of around \$43/bbl by July 2020. This might lead to decline in operating margins of the upstream players, and can impact their capex budgets. As a result of lower demand the daily rig rates for drilling companies might witness downward revisions. However, the sector importance to Government of India's goal of strengthening energy security, 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.

Financial Profile

In FY20, JDIL posted a total operating income of Rs. 249.83 crore which is 2.6% lower than TOI of FY19 (Rs. 256.52 crore) on account of lower other operating income. The PBILDT margin has improved to 28.7% (PY: 23%) on account of lower other expenses whereas PAT margin has declined to 10.5% (PY: 19%) due to higher depreciation & tax charges. The long term debt equity ratio & overall gearing has increased to 0.24 & 0.45x respectively due to increase in long term loan of Rs. 216.50 crore. The interest coverage ratio remains comfortable at 5.7x in FY20 (PY: 4.36x)

In Q1FY21, JDIL has posted TOI of Rs. 86.87 crore and the PAT of Rs. 4.24 crore in line with PAT of Rs. 4.33 crore in Q1FY20.

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).

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 on Withdrawal of ratings](#)

[Criteria on assigning Outlook to Credit Rating](#)

[Rating Methodology-Service Sector Companies](#)

[Criteria for Short Term Instruments](#)

[Criteria for factoring linkages in rating](#)

[CARE's default recognition policy](#)

[Financial ratios - Non Financial Sector](#)

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. During Q1FY21 the company has reported operating income of Rs. 86.87 crore with PBILDT of Rs.17.09 crore and PAT of Rs.4.24 crore.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	256.52	249.83
PBILDT	58.54	71.72
PAT	49.55	26.21
Overall gearing (times)	0.19	0.45
Interest coverage (times)	3.70	3.66

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	-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC	-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC	-	-	-	0.00	Withdrawn

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BBB+; Stable; ISSUER NOT COOPERATING* (28-Feb-20)	1)CARE BBB+; Stable (04-Sep-18)	1)CARE A-; Negative (13-Sep-17)
2.	Non-fund-based - ST-BG/LC	ST	-	-	-	1)CARE A3+; ISSUER NOT COOPERATING* (28-Feb-20)	1)CARE A3+ (04-Sep-18)	1)CARE A2+ (13-Sep-17)
3.	Fund-based - LT-Cash Credit	LT	-	-	-	-	-	-
4.	Non-fund-based - ST-BG/LC	ST	-	-	-	-	-	-

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
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Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - ST-BG/LC	Simple

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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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

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