



Jindal Drilling & Industries Limited

Instrument	Amount in Rs. Crore [^]	Rating Action
Fund based, Long-term facilities	20	Upgraded to [ICRA]A (Stable) from [ICRA]A- (Stable)
Non-fund based, Short-term facilities	150	[ICRA]A1 reaffirmed

The rating for the Rs. 20 crore long-term, fund-based limits of Jindal Drilling & Industries Limited (JDIL) has been upgraded from [ICRA]A- (pronounced ICRA A minus) to [ICRA]A (pronounced ICRA A); the outlook on the long-term rating is Stable. The rating for the Rs. 150 crore short-term, non-fund based limits of JDIL has been reaffirmed at [ICRA]A1 (pronounced ICRA A one).[†]

The upgrade in long-term rating factors in the decline in the consolidated gearing of the company, adjusted for its exposure to the debt of its subsidiaries, which ICRA expects to be sustained in the near-to-medium term as the company does not have major capex / investment plans as per the management's submission. The corporate guarantee exposure of the rig-owning Singapore JVs of the company, which are strategic to JDIL, has reduced significantly following refinancing of the debt of Discovery Drilling Pte Ltd. (DDPL), which has led to withdrawal of corporate guarantee from JDIL to the US\$ 20m sub-debt of DDPL. The steady financial performance and healthy cash accruals of the company over the past few years have led to an improvement in the net worth and liquidity of the company, leading to robust debt coverage metrics. Further, the asset light / low capital intensive business model leads to relatively lower risk for the company from the credit perspective.

The ratings continue to reflect the strong parentage of the company, being a part of the D.P. Jindal Group; its long experience and sound operating track record in the offshore drilling business; moderate revenue visibility in the medium term from existing contracts and the favourable long term outlook for oilfield services in India.

The ratings are constrained by the cyclicity inherent in the offshore drilling business which results in vulnerability of profitability to the market conditions prevalent at the time when the contracts fall due for renewal; the company's low fleet diversification; and high customer and geographical concentration risk. ICRA notes that, for PSU business, Indian operators at present enjoy a protection against global competition, by way of a price and purchase preference. In case this protection were to be withdrawn the company's operations would be exposed to an event-based competitive risk. Further, competitive intensity for PSU contracts continues to be of a high order and can have an adverse bearing on the company's bidding success rate as well as profitability going forward. ICRA also notes that the gearing adjusted for the off-balance sheet liability arising out of the leasing of rigs from Noble Drilling Services Inc. (rated Baa2 (Negative) by Moody's) as well as its subsidiaries is on the higher side, although ICRA notes that the back-to-back nature of the contracts with the customer and rig-providers largely mitigate the risk to the capital structure of the company. The renewal of contracts due for renewal in FY14 and the quantum of incremental exposure of JDIL to its Singapore-based JVs and the rig acquisition plans of the group remain the key rating sensitivities.

Company Profile

Jindal Drilling & Industries Limited is engaged in the provision of offshore drilling and other related services to companies engaged in the exploration and production (E&P) of oil and gas in India. It is at present operating a fleet of 4 jack-up drilling rigs under medium term contractual arrangements with ONGC for the latter's E&P activities in Western offshore; contracts for two of these rigs are due to expire in FY14. The company is a part of the diversified D.P Jindal Group^{*}, which holds interests in steel, trading, EPC consulting and other businesses.

[^] 100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

^{*} The flagship company of the D.P. Jindal Group, Maharashtra Seamless Limited (MSL), is rated [ICRA]AA+ (Stable) / A1+. Please refer to ICRA's website www.icra.in for the Rating Rationale of MSL



The promoter group holds 58% share (increased from 54% earlier following preferential allotment of equity during FY13) in the company and JDIL is an integral part of the group's business, enjoying the strategic and financial support of its promoters.

In 2012-13, the company reported net profit of Rs. 66 crore on an operating income of Rs. 814 crore as against net profit of Rs. 51 crore on an operating income of Rs. 877 crore in 2011-12.

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For further details please contact:

Analyst Contacts

Mr. K.Ravichandran (Tel No +91-44-4596-4301)
ravichandran@icraindia.com

Relationship Contacts

Mr. Vivek Mathur (Tel No +91-124-4545-310)
vivek@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: **9871221122**

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: **9821086490**

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion, Appasaheb Marathe Marg,
Prabhadevi, Mumbai - 400 025
Ph : +91-22-30470000, 24331046/1053
/1062/1074/1086/1087, Fax : +91-22-24331390

Kolkata**Mr. Jayanta Chatterjee**

Mobile: **9845099459**

Email: jayantac@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna, 234/3A, A.J.C. Bose
Road Kolkata—700020
Tel: +91-33-22876617/8839 22800008/22831411

Chennai**Mr. Jayanta Chatterjee**

Mobile: **9845099459**

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre, 498 Anna Salai, Nandanam,
Chennai-600035.
Tel + (91 44) 45964300, Fax + (91 44) 9434 3663

Bangalore**Mr. Jayanta Chatterjee**

Mobile: **9845099459**

Email: jayantac@icraindia.com

'The Millenia',
Tower B, Unit No. 904, 9th Floor, Level 9, 19-14, 1 & 9,
Murphy Road, Bangalore - 560 008
Tel:91-80- 43396400 Fax:91-80-43396409

Ahmedabad**Mr. L. Shivakumar**

Mobile: **989986490**

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924,
Tele Fax: +91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: **989986490**

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 99, CTS 3909, Range Hills
Road, Shivajinagar,Pune-411 090
Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: **9845099459**

Email: jayantac@icraindia.com

4th Floor, SHOBHAN, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500