

Tata Petrodyne Limited

Instrument	Amount	Rating Action
Non-Fund Based Limits	Rs. 65.00 crore	[ICRA]A+ (stable) / [ICRA]A1+ reaffirmed

ICRA has reaffirmed the long-term rating of [ICRA]A+ (pronounced ICRA A plus) and the short-term rating of [ICRA]A1+ (pronounced ICRA A one plus) assigned to the Rs. 65.00 crore non-fund-based bank limits of Tata Petrodyne Limited (TPL)[†]. The long-term rating has a stable outlook.

The reaffirmation of ratings takes into account TPL's strong parentage by virtue of it being a wholly-owned subsidiary of Tata Sons Limited (ICRA)AAA (stable) / [ICRA]A1+ and its high financial flexibility given its large liquid investment holdings. The ratings also favourably take into account the company's moderately long track record in the exploration & production (E&P) business and the upside potential to the company's business at a consolidated level linked to the Indonesian E&P assets.

The ratings are however constrained by the small scale of operations of the company as an E&P player and its modest operating metrics as reflected in its small reserve size, low reserve life index, low reserve replacement ratio and high cost structure. The company's future revenue growth has a high degree of dependence on its proposed exploratory and development activities which entail sizeable capex commitments. ICRA also notes that most of the company's E&P projects are currently running behind schedule and remain susceptible to further delays. In addition, TPL's operations remain vulnerable to the geological, technology and execution risks inherent in E&P activities and the company's overseas expansion strategy could entail significant geological, geo-political and event risks. TPL's financial profile is also exposed to the volatility in crude oil prices; the company's revenues and profitability are expected to be weakened by the sharp drop in crude oil prices over the past year.

Company Profile

Tata Petrodyne Limited (TPL) is engaged in the exploration and production of oil and gas. The company is a wholly-owned subsidiary of Tata Sons Ltd, the promoter company of the Tata Group. As an E&P company, TPL's business model is based on holding participating interest (PI) by way of financial investments in various oil and gas blocks in consortium with reputed global and Indian E&P companies.

Currently, TPL holds interests in five oil and gas blocks in India and two oil blocks in Tanzania, while its wholly-owned subsidiary viz. Dian Energy B.V. and further step-down subsidiaries, all based in Netherlands, hold interest in two oil blocks in Indonesia. Of these, only three are producing blocks, viz. PY-3 (21% PI) and CB-OS-2 (10% PI) in India and Merangin (35.4% PI) in Indonesia. TPL had 30% interest in another producing block in Indonesia (Meraup) but its license expired in early FY2015 which was not renewed by the company. The other blocks include a pre-producing block viz. CB-OS-1 (10% PI); two exploratory blocks namely, PR-OSN-2004/1 located in the Palar basin offshore (30% PI) which was acquired in the NELP-VI round of bidding in 2007, and PR-ONN-2005/1 an onshore block in Palar (20% PI) which was acquired in the NELP VII round of bidding; and an exploratory block in Indonesia viz. Belida (10% PI). A 25% stake in the blocks in Tanzania was acquired in FY2015 through a farm-out agreement with Swala Oil and Gas (Tanzania) Plc.

In FY2015, TPL reported net losses of Rs. 2.36 crore on an operating income of Rs. 342.46 crore on a consolidated basis. During 6m-FY2016, the company reported net losses of Rs. 14.59 crore on an operating income of Rs. 98.22 crore (unaudited).

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^{*} For complete rating scale and definitions, please refer to ICRA's Website, www.icra.in, or any of the ICRA Rating Publications

[†] 100 lakhs = 1 crore = 10 million



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