

Dian Energy B.V.

November 30, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (US\$ million)	Current Rated Amount (US\$ million)	Rating Action
Term Loan	20.00	20.00	[ICRA]A+(SO)&; placed under rating watch with developing implications
Total	20.00	20.00	

*Instrument details in Annexure-1;

Rationale

The rating outstanding on the bank facilities of Dian Energy B.V. (DEBV) has been placed under rating watch with developing implications following a similar rating action on Tata Petrodyne Limited (TPL). The rating is based on an unconditional and irrevocable guarantee provided by TPL ([ICRA]A+&/ [ICRA]A1+&) for the USD 20 million bank facilities of DEBV and an undertaking from the guarantor to ensure that the debt obligations are serviced on or prior to the due date, irrespective of the invocation of the guarantee by the beneficiary.

Key rating drivers

The ratings are principally based on the strength of the unconditional and irrevocable corporate guarantee extended by the parent company, i.e. TPL and an undertaking provided by TPL that it would ensure that the related debt obligations are serviced on or prior to the due date, for the entire bank facilities of DEBV. The rating addresses the servicing of the bank lines to happen as per the terms of the underlying sanction letter and the guarantee arrangement and assume that the guarantee will be duly invoked, as per the terms of the underlying sanction letter and guarantee agreements, in case there is a default in payment by the borrower.

Liquidity Position:

TPL has a healthy liquidity profile supported by sizeable cash balances and liquid investments (at Rs. 142 crore as on September 30, 2018 on consolidated basis) and low working capital intensity given the nature of its operations. Further, the cash flow position of the company improved in FY2018 and H1 FY2019 due to the rising crude prices, depreciation of Indian rupee and increase in production levels at its CB-OS-2 blocks.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Approach for rating debt instruments backed by third-party explicit support
Parent/Group Support	The assigned ratings are based on unconditional, irrevocable corporate guarantee extended by DEBV's parent company – Tata Petrodyne Limited.
Consolidation / Standalone	The rating is based on the consolidated financial statements of the issuer which take into account the company's wholly-owned subsidiaries, Merangin B.V., Meruap B.V., and Belida B.V.

About the company:

DEBV is a wholly owned-subsiary of Tata Petrodyne Limited (TPL) setup in the Netherlands. In May 2011, DEBV acquired interest in certain onshore exploratory & production (E&P) assets located in the south Sumatra Basin of Indonesia through step-down subsidiaries (also based in Netherlands). The assets included a producing block Meruap (30% working interest; lease expired in early FY2015), a producing-cum-development block Merangin (35% working interest) and an exploratory block Belida (14% working interest). The acquisition was done at a cost of US\$67 million, which was funded through equity of US\$7 million from TPL and debt of US\$60 million (mobilised by DEBV and backed by a corporate guarantee from TPL).

About the guarantor:

Incorporated in 1993, Tata Petrodyne Limited (TPL), is engaged in the exploration and production (E&P) of oil and gas. The company is a wholly-owned subsidiary of Tata Sons Ltd ([ICRA]AAA (stable) / [ICRA]A1+), the promoter company of the Tata Group. As an E&P company, TPL's business model is based on holding participating interest 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 three oil and gas blocks in India and one oil block 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 and gas 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 acquired a 25% equity stake in two blocks in Tanzania through a farm-out agreement with Swala Oil and Gas (Tanzania) Plc. The company surrendered one of the blocks in January 2016 citing logistical challenges in working the field.

For the detailed rating rationale on Tata Petrodyne Limited, please refer to [this link](#).

Key Financial Indicators of DEBV (Consolidated, Audited)

	FY2017	FY2018
Operating Income (US\$ million)	7.6	9.6
PAT (US\$ million)	-6.9	-4.0
OPBDIT/ OI (%)	-26.5%	8.8%
Total Debt/ TNW (times)	-3.3	-2.7
Total Debt/ OPBDIT (times)	-21.0	52.5
Interest coverage (times)	-0.9	0.3

Key Financial Indicators of TPL (Consolidated, Audited)

	FY2017	FY2018
Operating Income (Rs. crore)	157.9	194.9
PAT (Rs. crore)	-43.1	-0.7
OPBDIT/OI (%)	-5.9%	19.8%
RoCE (%)	-5.3%	5.6%
Total Debt/TNW (times)	1.7	1.8
Total Debt/OPBDIT (times)	-27.6	6.8
Interest coverage (times)	-0.6	2.4

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

		Current Rating (FY2019)				Chronology of Rating History for the past 3 years		
Instrument	Type	Amount Rated (US\$ million)	Amount Outstanding (US\$ million)	Date & Rating (FY2019)		Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016
				November 2018	June 2018	April 2017	May 2016	
1	Term Loan	20.00	20.00	[ICRA]A+ (SO)&	[ICRA]A+ (SO) (Stable)	[ICRA]A+ (SO) (Stable)	[ICRA]A+ (SO) (Stable)	-

& - placed under rating watch with developing implications

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (US\$ million)	Current Rating and Outlook
NA	Term Loan	April 2016	-	September 2021	20.00	[ICRA]A+(SO)&

Source: Dian Energy B.V.

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Merangin B.V.	100.00%	Full Consolidation
Meruap B.V.	100.00%	Full Consolidation
Belida B.V.	100.00%	Full Consolidation

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