Oil Country Tubular Limited

February 23, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based Limits	155.00	125.00	[ICRA]D# reaffirmed and removed from 'Issuer Not Cooperating' category
Non-fund based Limits	72.00	62.00	[ICRA]D# reaffirmed and removed from 'Issuer Not Cooperating' category
Total	227.00	187.00	

*Instrument details are provided in Annexure-1; #ST ratings on sub-limits also reaffirmed at [ICRA]D

Rating action

ICRA has reaffirmed the long-term and short-term rating of [ICRA]D (pronounced ICRA D) to the Rs. 187.00-crore bank facilities of Oil Country Tubular Limited (OCTL). The ratings have been removed from "Issuer Not Co-operating" category.

Rationale

The reaffirmation of ratings factors in the continued delays in debt servicing by the company owing to the stretched liquidity position caused by production disruptions at its plant in Nalagonda district of Telangana. Earlier the operations of the company were adversely impacted due to unstable work environment caused by labour troubles, resulting in the shut-down of the plant from February 22, 2016. Thereafter, the company could not start full-fledged operations at the facility due to lack of orders from customers, given the long tenure of competitive bidding process involved in obtaining work orders and significant time lapsed in stabilising the work environment at the company's facility. While the management plans to revive OCTL's operations though recent orders received by the company, managing the funding requirements given the tight liquidity position and re-establishing customer relationships to support the operations could be challenging and remains to be seen.

Key rating drivers

Credit challenges

Stretched liquidity and delays in debt servicing – OCTL's financial profile remains weak, characterised by stretched liquidity profile on the back of sharp drop in earnings with production disruption at its facility in the recent years. The company has large short-term debt exposure to the tube of Rs. 140.79 crore as on March 31, 2017. While the company plans to revive its operations in the coming quarters, its ability to manage working-capital requirements and re-establish relationships with the customers, to support the operations could be challenging.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below**.**

Links to applicable criteria:

[Policy on Default Recognition]

[Corporate Credit Rating Methodology]

[Rating Methodology for Primary Non-Ferrous Metals Manufacturers]

About the company:

Incorporated in 1985, OCTL is primarily involved in the processing of oil country tubular goods used in the Oil and Gas Exploration and Production (E&P) industry. OCTL's product range primarily comprises drill pipes, casing pipes, production tubing and couplings/premium connections/tool joints. At present, OCTL is the only domestic processor of drill pipes. The company has primarily positioned itself to cater to the requirements of E&P companies in India like ONGC Limited, OIL India Limited etc. OCTL also exports its products to countries in the North and South Americas, besides Africa and the Middle East. It is a public-listed company and is promoted by the Hyderabad-based Kamineni Group, which has interests in steel, healthcare and education. The company's manufacturing unit is located at Narketpally in Nalgonda district of Telangana.

Key financial indicators (audited)

	FY 2016	FY 2017
Operating Income (Rs. crore)	153.1	7.3
PAT (Rs. crore)	-6.6	-35.5
OPBDIT/ OI (%)	13.48%	-218.19%
RoCE (%)	1.13%	-9.04%
Total Debt/ TNW (times)	0.54	0.89
Total Debt/ OPBDIT (times)	6.34	-8.86
Interest coverage (times)	1.2	-0.9
NWC/ OI (%)	60.69%	1012.56%

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

	Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Current Rating (FY2018) Date & Rating Feb 2018	Dec 2016	Chronology of Rating History for the past 3 years Date & Rating in FY2017 July 2016	Date & Rating in FY2016 March 2016	August 2015	Date & Rating in FY2015 July 2014
1	Fund-based Working-capital limits	Long Term/ short-term	125.00	-	**[ICRA]D**	**[ICRA]D; ISSUER NOT CO-OPERATING**	**[ICRA]D**	**[ICRA] BBB- (Negative)/A3**	**[ICRA] BBB+ (Stable) /A2**	**[ICRA] BBB+ (Positive) /A2**
2	Non-fund based limits	Long Term/ Short-term	62.00	-	**[ICRA]D**	**[ICRA]D; ISSUER NOT CO-OPERATING**	**[ICRA]D**	**[ICRA] BBB- (Negative)/A3**	**[ICRA] BBB+ (Stable) /A2**	**[ICRA] BBB+ (Stable)/ A2**

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 (Rs. crore)	Current Rating and Outlook
NA	Working Capital limits	NA	NA	-	125.00	[ICRA]D
NA	Letter of Credit & Bank Guarantee	NA	NA	-	62.00	[ICRA]D

Source: Oil Country Tubular Limited

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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For more information, visit www.icra.in

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