

April 06, 2017

Alphageo (India) Limited

Instrument	Amount	Rating Action
	In Rs Crore	
Long term, Fund-based	2.50	[ICRA]BB+ (Stable) / re-affirmed
Short-term, Non-fund based limits	11.00	[ICRA]A4+ / re-affirmed
Long-term/ Short-term, Unallocated	4.00	[ICRA]BB+ (Stable)/ [ICRA]A4+ / re-affirmed

**Issuer did not co-operate; based on best available information; Instrument Details are provided in Annexure I*

Rating Action

ICRA has re-affirmed the rating assigned to the Rs. 2.50 crore¹ fund-based limits of Alphageo (India) Limited (“Alphageo” /the company”) at [ICRA]BB+ (pronounced ICRA double B plus)². ICRA has also re-affirmed the rating at [ICRA]A4+ (pronounced ICRA A four plus) for the Rs. 11.00 crore short-term non-fund based limits of Alphageo. ICRA has also re-affirmed the long-term/ short-term rating at [ICRA]BB+/ [ICRA]A4+ for the unallocated limits of Alphageo. The outlook on the long-term rating is Stable.

Rationale

The rating re-affirmation takes into account Alphageo’s established track record in the field of acquisition, processing and interpretation of 2D and 3D seismic data, spanning nearly three decades in the industry; its reputed clientele comprising domestic public and private sector Oil majors and E&P companies as well as global oil majors in the overseas market; and the high entry barriers in the due to knowledge intensive nature of business. ICRA also takes note of Alphageo’s healthy order book position led by a large order of Rs. 1300 crore from ONGC. The ratings further consider the company’s favourable financial risk profile characterised by healthy capital structure, and adequate debt protection metrics, as well as the favourable long term industry prospects under National Seismic Program and from HELP block winners.

The ratings are, however, constrained by the susceptibility of Alphageo’s margins to fluctuations in order flow owing to high fixed costs in the form of employee expenses; the challenges in retaining key operating manpower; the need for periodic capital investments for the acquisition of latest technology; and the proposed capex of ~Rs. 100 crore to execute the ONGC order, which is likely to be partly funded through term debt, which will put some incremental pressure on capital structure and debt protection indicators.

The rating action is based on the best available information. As part of its process and in accordance with its rating agreement with Alphageo, ICRA has been trying to seek information from the company so as to undertake a surveillance of the ratings, and had sent reminders to the company for the same and for the payment of surveillance fee that became overdue; however despite multiple requests; the company’s management has remained non-cooperative. ICRA’s Rating Committee has taken a rating view based on best available information. In line with SEBI’s Circular No. *SEBI/HO/MIRSD4/CIR/2016/119*, dated *November 01, 2016*, the company’s rating is now denoted as: “[ICRA] BB+ (Stable)/ [ICRA]A4+ ISSUER NOT COOPERATING”. The lenders, investors and other market participants may exercise

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA’s website www.icra.in / other ICRA Rating publications



appropriate caution while using this rating, given that it is based on limited or no updated information on the company's performance since the time it was last rated.

Analytical approach:

Links to applicable criteria

Corporate Credit Rating Methodology

<<http://www.icra.in/Files/Articles/Rating%20Meth%20Mar%202017.pdf>>

Framework for Liquidity Analysis in Corporate Ratings

<<http://www.icra.in/Files/Articles/Framework%20March%202016.pdf>>

About the Company

Incorporated in 1987, Alphageo (India) Limited is engaged in providing seismic survey services to oil exploration and production (E&P) companies. Headquartered in Hyderabad, the company is engaged in the business of acquisition, processing and interpretation of 2D and 3D seismic data. The company has been operating in the 2D space since inception and forayed into 3D seismic in FY 2006. Apart from the seismic data services, the Company also provides consultancy on 3D/4D/4C surveys; reservoir data acquisition and analysis; transcription and digitization of hard copies of maps, well logs etc.; third party quality control for acquisition and processing and topographic surveys with GPS/ RTK. Alphageo caters to a reputed clientele comprising industry majors in the E&P space such as Oil and Natural Gas Corporation Limited (ONGC), Oil India Limited (OIL), Gujarat State Petroleum Corporation (GSPC), Hardy Oil and Gas Plc, Essar Oil Limited, GAIL (India) Limited, Bharat Petro Resources Limited and Petronas. The company has also forayed into overseas operations, especially in Myanmar through its subsidiary - Alphageo International Limited and step-down subsidiary, Alphageo DMCC.

For FY 2015–16, Alphageo reported a PAT of Rs. 6.96 crore on an operating income of Rs. 68.60 crore as against a PAT of Rs. 14.90 crore on an operating income of Rs. 63.97 crore in FY 2014–15. In H1 FY 2016–17, the company provisionally reported a PAT of Rs. 2.93 crore on an operating income of Rs. 50.65 crore.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years:
Table: Rating History

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years			
		Type	Rated amount (Rs. Crore)	Month-year & Rating	Month- year & Rating in FY 2016	Month- year & Rating in FY 2015	Month- year & Rating in FY2014	
				April 2017	October 2015	October 2014	October 2013	
1	Cash Credit	Long Term	2.50	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	[ICRA]BB (Stable)	[ICRA]B+	
2	Bank Guarantees	Short Term	11.00	[ICRA]A4+	[ICRA]A4+	[ICRA]A4	[ICRA]A4	
3	Unallocated Limits	Long Term/ Short Term	4.00	[ICRA]BB+ (Stable) / [ICRA]A4+	[ICRA]BB+ (Stable) / [ICRA]A4+	[ICRA]BB (Stable) / [ICRA]A4	[ICRA]B+ / [ICRA]A4	

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
Details of Instrument

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. Cr)	Current Rating and Outlook
Cash Credit	-	-	-	2.50	[ICRA]BB+ (Stable)
Bank Guarantees	-	-	-	11.00	[ICRA]A4+
Unallocated Limits	-	-	-	4.00	[ICRA]BB+ (Stable) / [ICRA]A4+

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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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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