



Alphageo (India) Limited

	Amount	Rating Action
	Rs Crore	October 2015
Long-term, fund-based facilities	2.5	Upgraded to [ICRA]BB+(stable) from [ICRA]BB(stable)
Long-term/Short term, proposed facilities	4.0	Upgraded to [ICRA]BB+(stable)/[ICRA]A4+ from [ICRA]BB/[ICRA]A4
Short-term, non-fund-based facilities	11.0	Upgraded from [ICRA]A4 to [ICRA]A4+

ICRA has upgraded the long-term rating outstanding on Rs.2.5 crore long term fund based facilities of Alphageo (India) Limited (Alphageo)* from [ICRA]BB (pronounced ICRA double B) to [ICRA]BB+ (pronounced ICRA double B plus). ICRA has also upgraded the short-term rating outstanding on Rs. 11.0 crore non fund based facilities of Alphageo from [ICRA]A4 (pronounced ICRA A four) to [ICRA]A4+ (pronounced ICRA A four plus). ICRA has also upgraded the rating outstanding on Rs. 4.0 crore proposed long term/short term facility from [ICRA]BB(stable)/[ICRA]A4 to [ICRA]BB+(stable)/[ICRA]A4+For the purpose of arriving at the ratings of Alphageo, ICRA has taken a consolidated view of the financials of Alphageo and its subsidiary, Alphageo International Limited and step-down subsidiary, Alphageo DMCC.

The rating upgrade considers the healthy order-flow in the current fiscal in the domestic market, which provides improved revenue visibility in the near to medium term and healthy financial profile characterized by strong profit margins and modest debt levels. The ratings also favorably consider the established track record of Alphageo in the field of onshore seismic survey of more than two decades; its reputed customer profile in the domestic and overseas market; the entry barriers for new entrants in seismic surveys on account of knowledge intensive nature of the business and execution track record requirements for participating in major project orders; the company's healthy capital structure and favorable long term industry prospects resulting from expected increase in E&P activity in India and international regions where the company has presence, although in the near term there could be some slowdown in international orders due to decline in crude prices.

The ratings are however constrained by the susceptibility of the financial performance and cash flows to lumpiness in order flow and high fixed costs (employee costs, depreciation); seasonality in cash flows due to limitations on operations during monsoons and adverse climatic conditions; challenges in retaining key operational manpower and periodic capital expenditure requirements for upgrading technology/ acquiring new technology at standalone/subsidiary level, although the risk is partially mitigated by low lead time for equipment deployment and predominant use of supplier credit for funding the capital expenditure. ICRA also takes note of the high customer concentration at present and while the company has bid for several new orders in the domestic market which if awarded would mitigate the risk and improve the order-book position, the quantum and timing of same will be critical and is a key sensitivity factor.

Company Profile

Incorporated in 1987, Alphageo (India) Limited is engaged in seismic survey services to oil exploration and production (E&P) companies. Headquartered in Hyderabad, the company is engaged in the business of acquisition of 2D and 3D data, processing and interpreting them. The company has been operating in the 2D space since inception and forayed into 3D seismic in FY06. It currently has five crews and 15,000 channel count. Alphageo has provided seismic services to leading E&P players 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 etc. The company has also forayed into overseas operations, especially in Myanmar through its subsidiary - Alphageo International Limited and step-down subsidiary, Alphageo DMCC.

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



Recent Results

For the financial year ended 31st March 2015, Alphageo (consolidated) reported operating income of Rs. 72.7 crore and profit of Rs. 14.5 crore.

October 2015

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