

May 4, 2010

**CARE UPGRADES RATING FOR ST BANK FACILITIES AND  
ASSIGNS 'PR1' RATING TO THE CP ISSUE OF  
DOLPHIN OFFSHORE ENTERPRISES (INDIA) LTD.**

CARE has reaffirmed the '**CARE A-' (Single A Minus)** rating to the Long-term Bank Facilities of Dolphin Offshore Enterprises (India) Limited (DOEIL). This rating is applicable for facilities having tenure of over one year. Facilities with this rating are considered to offer adequate safety for timely servicing of debt obligations. Such facilities carry low credit risk.

CARE has revised the rating assigned to the Short-term Bank Facilities DOEIL from '**PR2' (PR Two)** to '**PR2+' (PR Two Plus)**. This rating is applicable for facilities having tenure up to one year. Facilities with this rating would have adequate capacity for timely payment of short-term debt obligations and carry higher credit risk as compared to facilities rated higher. These ratings are assigned to the Short-term and Long-term Bank Facilities aggregating Rs.305.33 crore revised from Rs.330.33 crore.

Further, CARE has assigned a '**PR1' [PR One]** rating to the proposed CP issue of Rs.10 crore. The CP issue **would** be carved out of the sanctioned working capital limits of the company. Instruments with this rating would have strong capacity for timely payment of short-term debt obligations and carry lowest credit risk. Within this category, instruments with relatively better credit characteristics are assigned PR1+ rating.

CARE assigns '+' or '-' signs to be shown after the assigned rating (wherever necessary) to indicate the relative position within the band covered by the rating symbol.

<b>Instrument</b>	<b>Amount (Rs. crore)</b>	<b>Rating</b>
Long-term Bank Facilities	115.33	'CARE A-'
Short-term Bank Facilities	190.00	'PR2+'
Commercial Paper Issue (carved out of existing working capital limits)	10.00	'PR1'
<b>Total</b>	<b>315.33</b>	

### Rating Rationale

The ratings derive strength from DOEIL's substantial experience in the offshore services industry, the company's experienced management team, its diverse range of services in the offshore segment, its qualification as an independent Engineering, Procurement and Construction (EPC) contractor for Oil and Natural Gas Corporation Limited (ONGC) and its growing operations with comfortable profitability and interest coverage ratio. The ratings also consider the upward movement in the crude oil prices from the low levels witnessed in December 2008, thereby improving viability of offshore services, and long-term sustainability of the offshore projects due to the Government of India's (GoI's) emphasis on energy security. The rating also factors in the conversion of the substantial portion of the outstanding Foreign Currency Convertible Bonds (FCCBs) into equity shares resulting into reduction in the gearing levels of the company.

The ratings are, however, constrained by the concentration of DOEIL's business with ONGC (though partly mitigated by ONGC's dominance in the offshore sector), the company's high receivables days and the consequent stress on its working capital requirements, substantial support extended to its subsidiaries in the form of loans and advances and corporate guarantee.

The ability of DOEIL to garner more projects as an independent EPC contractor to achieve the envisaged revenue targets, besides stability in the profitability margins are the key rating sensitivities.

### Company Profile

DOEIL, incorporated on May 17, 1979, is engaged in offshore services for the oil & gas exploration and production activities. During FY09, the company qualified as a turnkey EPC contractor for ONGC. The order book position of the company as on January 1, 2010 stood at Rs.257 crore. On a total income of Rs.358 cr, DOEIL earned a PAT of Rs.40 cr in FY09. In 9MFY10, the operating income has grown to Rs.416 crore (y-o-y growth of 85%) with PBILD and PAT margins of 18.64% and 10.76%.

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