

June 22, 2010

CARE ASSIGNS 'CARE BBB+' & 'PR3+' RATING TO THE BANK FACILITIES OF PROCYON OFFSHORE SERVICES LTD.

CARE has assigned '**CARE BBB+**' (**Triple B Plus**) rating to the Long-term Bank Facilities of Procyon Offshore Services Limited (POSL). Facilities with this rating are considered to offer moderate safety for timely servicing of debt obligations. Such facilities carry moderate credit risk. Besides, CARE has assigned a '**PR3+**' (**PR Three Plus**) rating to the Short-term Bank Facilities of POSL. Facilities with this rating would have moderate capacity for timely repayment of short-term debt obligations at the time of rating and carry higher credit risk as compared to facilities rated higher.

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.

Instrument	Amount (Rs. crore)	Rating
Long-term Bank Facilities	8.40	' CARE BBB+ '
Long/ Short-term Bank Facilities	2.00	' PR3+ '
Total	10.40	

Rating Rationale

The ratings derive strength from POSL's operating synergy with Dolphin Offshore Enterprise (India) Limited (DOEIL), financial support from DOEIL, low gearing levels, and comfortable profitability margins.

The ratings are, however, constrained by POSL's ageing fleet leading to high operational and maintenance costs, low revenue visibility due to absence of long-term contracts, small size of operations, and substantial dependence on DOEIL.

The company's ability to re-deploy its vessels at competitive rates subsequent to expiry of the current contracts, thereby achieving the projected revenue and improving its operational efficiency are the key rating sensitivities.

Company Profile

POSL, acquired by DOEIL in 2006, provides support services to oil & gas exploration and production activities as well as for the port operations. POSL operates four offshore vessels (including one in-chartered vessel) and six tugs. In addition to vessel deployment, POSL also started logistic management services during FY09. The commencement of logistic management division coupled with addition of two offshore vessels led total income of about 22 crore (a y-o-y growth of 131%) in FY09 with PBILDT and PAT margin of 25.59% and 19.00%, respectively, during FY09. Despite additional borrowing of Rs.5 crore, to part finance two vessels in FY09, the debt-equity ratio of POSL is low at 0.40x as on March 31, 2009. During H1FY10, POSL posted total income of about Rs.11 crore (p-o-p growth of 89%) with PBILDT and PAT margin of 15.82% and 3.56%, respectively.

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CARE classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

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