



Rating Rationale

July 31, 2015
Mumbai

Numaligarh Refinery Limited

Ratings Reaffirmed

Total Bank Loan Facilities Rated	Rs.8000 Million
Long Term Rating	CRISIL AAA/Stable (Reaffirmed)
Short Term Rating	CRISIL A1+ (Reaffirmed)

(Refer to Annexure 1 for Facility-wise details)

CRISIL's ratings on the bank facilities of Numaligarh Refinery Ltd (NRL) continue to reflect the strong support that NRL receives from its parent, Bharat Petroleum Corporation Ltd (BPCL; rated 'CRISIL AAA/Stable/CRISIL A1+'), NRL's healthy gross refining margins (GRMs) and strong financial risk profile. These rating strengths are partially offset by the location of NRL's facilities in a product-surplus region and relatively low utilisation due to the limited supply of crude oil in the north east region (NER).

NRL receives strong financial, operational, and management support from BPCL (61.65 per cent equity ownership in NRL). The company itself has high operational efficiency, reflected in its healthy GRM which has been consistently better than other public sector refiners in the past five years. The distillate yield has also been healthy at more than 90 per cent for the past five years, which is among the highest in the industry. Also, the company due to its presence in the strategically important NER enjoys excise benefits which add to the profitability. Furthermore, NRL has a healthy financial risk profile, marked by low debt and ample liquidity.

NRL is planning for a refinery expansion from 3 MMTPA to 9 MMTPA and twin pipelines (a new crude pipeline s from Dhamra port to Numaligarh and a product pipeline from Numaligarh to Siliguri) at a total project cost of Rs.110 billion and Rs.90 billion, respectively. CRISIL has not factored these plans in its assumptions. The proposed plans would require assistance from Central Government to make the project viable. At this stage government assistance as well as funding plan are unclear. CRISIL would continue to monitor any development on these plans.

Due to presence in NER, which is a product-surplus region, the company faces logistical disadvantages, as it needs to move its products to oil marketing companies located in other regions. The challenges have been mitigated to a large extent with Oil India Ltd (OIL) commissioning a 660-kilometre product pipeline from Numaligarh to Siliguri in West Bengal, which has helped to ease product evacuation pressures. Also due to low availability of crude in the NER, NRL has to depend on crude allocation by the government to maintain its utilisation levels.

Outlook: Stable

The outlook reflects CRISIL's outlook on BPCL. NRL's status as a subsidiary of BPCL, one of the three integrated oil companies in India, gives it a competitive position in the domestic market. In addition to the assured offtake by BPCL, it also extends financial and management support to NRL. Moreover, NRL provides access to BPCL in the NER, where BPCL has no refining capacity. The outlook may be revised to 'Negative' in case of a similar rating action on BPCL, or if NRL's standalone performance deteriorates.

About the Company

NRL's 3-million-tonne-capacity refinery, located near Jorhat in the Golaghat district in Assam, was commissioned in 2000. BPCL owns 61.65 per cent of NRL's equity shares. The other shareholders are the Government of Assam (12.35 per cent) and OIL (26.0 per cent). For 2014-15, NRL reported a profit after tax of Rs.7.18 billion (Rs.3.71 billion for the previous year) on net sales of Rs.97.13 billion (Rs.91.68 billion).

Annexure 1 - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Million)	Rating	Facility	Amount (Rs.Million)	Rating
Cash Credit *	4500	CRISIL AAA/Stable	Cash Credit *	4500	CRISIL AAA/Stable
Letter of credit & Bank Guarantee	700	CRISIL A1+	Letter of credit & Bank Guarantee	700	CRISIL A1+
Proposed Letter of Credit #	300	CRISIL A1+	Proposed Letter of Credit #	300	CRISIL A1+
Proposed Long Term Bank Loan Facility	500	CRISIL AAA/Stable	Proposed Long Term Bank Loan Facility	500	CRISIL AAA/Stable
Proposed Short Term Bank Loan Facility	2000	CRISIL A1+	Proposed Short Term Bank Loan Facility	2000	CRISIL A1+
Total	8000	--	Total	8000	--

* Interchangeable with Working Capital Demand Loan.

Interchangeable with Bank Guarantee.

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Last updated: August, 2014

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July 31, 2015

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