

Ace Pipeline Contracts Private Limited

Summary of rated instruments

Instrument [^]	Rated Amount (in crore)	Rating Action
Fund Based Limit	10.00	[ICRA]BB(Stable) ISSUER NOT COOPERATING*; Rating revised from [ICRA]BB+(Stable) and moved to the 'Issue Not Cooperating' Category
Non Fund Based Limit	65.00	[ICRA]BB(Stable) ISSUER NOT COOPERATING*; Rating revised from [ICRA]BB+(Stable) and moved to the 'Issue Not Cooperating' Category
Interchangeable Limit	8.00	[ICRA]BB(Stable) ISSUER NOT COOPERATING*; Rating revised from [ICRA]BB+(Stable) and moved to the 'Issue Not Cooperating' Category
Total	83.00	

[^]Instrument Details captured under Annexure-1

* Issuer did not co-operate; based on best available information.

Rating action

ICRA has revised the ratings for the Rs. 83.00 crore bank facilities of Ace Pipeline Contracts Private Limited to [ICRA]BB (pronounced ICRA double B) from [ICRA]BB+ (pronounced ICRA double B plus). ICRA has also moved the ratings to the 'Issuer Not Cooperating' category. The rating is now denoted as "[ICRA] BB (Stable) ISSUER NOT COOPERATING"

Rationale

The rating is based on limited or no updated information on the entity's performance since the time it was last rated in Mar, 2016. The lenders, investors and other market participants are thus advised to exercise appropriate caution while using this rating as the rating does not adequately reflect the credit risk profile of the entity. The entity's credit profile may have changed since the time it was last reviewed by ICRA; however, in the absence of requisite information, ICRA is unable to take a definitive rating action.

As part of its process and in accordance with its rating agreement with APCPL, ICRA has been trying to seek information from the entity so as to monitor its performance, but despite repeated requests by ICRA, the entity's management has remained non-cooperative. In the absence of requisite information, and in line with SEBI's Circular No. SEBI/HO/MIRSD4/CIR/2016/119, dated November 01, 2016, ICRA's Rating Committee has taken a rating view based on the best available information.

Key rating drivers

Credit strengths

- **Long standing experience of the promoters in the hydrocarbon pipeline business**– APCPL has 26 years of experience in oil and gas pipeline construction wherein it undertakes EPC contracts for the oil and gas sector. The company has constructed ~3000 Km of pipelines around India. APCPL's experience includes small diameter lines for gathering and transmission as well as large diameter cross-country pipelines.
- **Reputed client base of the company**– The company's clientele includes reputed players in the oil and gas sector like Hindustan Petroleum Corporation Limited (HPCL), Bharat Petroleum Corporation

Limited (BPCL), Indian Oil Corporation Limited (IOCL), Gujarat State Petronet Limited (GSPL) etc. Company's established relationship with major customers resulting in repeat orders.

Credit weaknesses

- **Modest financial profile characterized by weak profitability and return indicators coupled with high working capital intensity of operations**– The operating income of the company remains is highly dependent on the number of orders received and timely completion of the projects. The company's operating income declined by 40% in FY2017 to Rs 109.38 crore from Rs 182.30 crore in FY2016. The operating margins of the company remains weak as reflected by operating profit margins of 8.65% and net profit margins of 1.65% in FY2017. The company's operations are working capital intensive in nature given the elongated execution period of the projects.
- **Exposure to execution risks inherent in EPC projects**- Most of the EPC contracts of the company are characterised by high execution risks with chances of inordinate delays due to external factors. Due to competition and fixed price nature of contracts, the company is exposed to risk of contraction in profitability due to volatility in input prices or other external factors during the execution period which may span 12-18 months or more sometimes.

Analytical approach:

For arriving at the ratings, ICRA has applied its rating methodologies as indicated below

Links to applicable Criteria

[Corporate Credit Rating Methodology](#)

[Policy in respect of non-cooperation by the rated entity](#)

About the company:

Incorporated in 1989 by Mr. Anoop Singh and Mr. Gurmreet Singh, Ace Pipeline Contracts Pvt. Ltd. (APCPL) undertakes engineering, procurement, and construction contracts, project management, and testing and commissioning of pipelines for the oil and gas sector. The company has executed contracts in Assam, Maharashtra, Gujarat, Madhya Pradesh, West Bengal, and Andhra Pradesh.

Key Financial Indicators:

	FY2016 (Audited)	FY2017 (Provisional)
Operating income (Crores)	182.30	109.38
PAT (Crores)	4.61	1.81
OPBDIT/ OI (%)	7.67%	8.51%
RoCE (%)	2.53%	1.65%
Total Debt/ TNW (times)	1.24	1.55
Total Debt/ OPBDIT (times)	1.93	3.93
Interest coverage (times)	2.69	1.79
NWC/ OI (%)	17%	35%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation;

ROCE: PBIT/Avg(Total Debt + Tangible Net Worth + Deferred Tax Liability - Capital Work-in Progress); NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:

Table:

S.No	Instrument	Current Rating (FY2018)*			Chronology of Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crores)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
				September 2017	-	February 2016	-
1	Cash Credit	Long Term	10.00	[ICRA]BB (Stable) ISSUER NOT COOPERATING*	-	[ICRA]BB+ (Stable)	-
2	Interchangeable Limit	Long Term	8.00		-	[ICRA]BB+ (Stable)	-
3	Letter of Credit	Short Term	65.00		-	[ICRA]BB+ (Stable)	-

* Issuer did not co-operate; based on best available information

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
Instrument Details

Instrument	Date of Issuance/ Sanction	Coupon rate	Maturity Date	Size of the issue (Rs. crore)	Current Rating and Outlook*
Cash Credit	-	-	-	10.00	[ICRA]BB(Stable) ISSUER NOT COOPERATING*
Interchangeable Limit	-	-	-	8.00	
Bank Guarantee	-	-	-	65.00	

Source: Ace Pipeline Contracts Private Limited; * Issuer did not co-operate; based on best available information; NA: Not available

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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.

For more information, visit www.icra.in

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