



Rating Rationale

Ace Pipeline Contracts Pvt. Ltd.

18 January 2021

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹. 127.00 Crores of Ace Pipeline Contracts Pvt. Ltd.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (May, 2020)	Present
Fund based	15.00	25.00	Long Term	BWR BB+ Stable	BWR BBB- Stable Upgrade
Non Fund Based	59.00	102.00	Short Term	BWR A4+	BWR A3 Upgrade
	17.00	0.00*	Short Term		Withdrawn
Total	104.00	127.00	INR One Hundred and Twenty Seven crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK - STABLE

BWR has upgraded the rating to BWR BBB-/A3 Stable for the bank loan facility of Rs.127 crs of Ace Pipeline Contracts Pvt Ltd.

BWR also withdraws the rating of Bank facilities of Rs.17.00 crs which was not used and has been cancelled and the company has provided the NOC from the bank for the same.

The upgrade in the rating factors the extensive business experience of the promoters since 1989 in EPC industry relating to oil & gas pipeline construction, established track record of the Company, long-standing relationships with customers and better revenue visibility in near future due to good order book position with reputed client base, improvement in total receipts Y-o-Y & improved financial profile. The rating also factors in the project management capabilities of the Company on account of presence of an experienced management team and technical personnel. The ratings are however, constrained on account of its working capital intensive nature of operations, intense industry competition, stretched receivables position, adverse impact of the



pandemic sweeping across the country taking a toll on both men and materials and project execution risks inherent in this line of business.

KEY RATING DRIVERS

Credit Strengths:

Experience of the promoters and operating track record in EPC hydrocarbon pipeline business –The Company was incorporated in 1989 by Mr. Anoop Singh and Mr. Gurmeet Singh, both qualified professionals. The promoters have around three decades in oil and gas pipeline construction projects.

Established relationship and reputed client base- The Company's clientele includes all the major Hydrocarbon players and others like HPCL, IOCL, Gail, etc, reflecting low counterparty credit risks.

Healthy order-book position- APCPL's unexecuted order book stood at ~Rs. 1350 crore, providing adequate revenue visibility in the near to medium term.

Increasing scale of operations-The Company reported Total Operating Income of Rs.214 Crores for FY 2020 as compared to Rs.143 Crores in the previous year. Further in FY21, the company recorded Total operating Income of Rs.105.00 Crs for 1H Sep 2020 v/s Rs.98 crs in 1H Sep 2019, as per the provisional financials furnished.

Moderate financial risk profile - Financial Risk Profile is marked by improved revenue, profitability and debt protection indicators.

Credit Risks:

Project implementation risk of ongoing projects: The ratings are sensitive to project execution risk of the pending order book, owing to the uncertainties in the EPC business. The ability of the Company to achieve the project revenue would be a key rating monitorable due to Covid 19 effect.

Vulnerability to economic and industrial cycles: APCPL growth is highly correlated with industrial development activity. The Company caters to clients in sectors such as oil & gas, engineering, etc. Any slowdown in the growth prospects of these sectors affects the Company's revenue and its profitability.

Risk of delayed payments from Government clients- APCPL derives almost its entire revenues from the Government clients pertaining to the oil and gas sector. Though the counterparty credit risk remains limited in such clients, the company remains exposed to the risk of delayed payments.

Susceptibility to intense competition- Company operates in a competitive segment and as the business is mainly tender based, the ability of the Company to bid competitively is key for procurement of orders.



ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone performance of the company i.e audited financials of FY 20, provisional financials of 1H Sep 2020, information submitted by the management, publicly available information and information/clarifications provided by the Company along with the business linkages with its group concern companies. BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale)

RATING SENSITIVITIES

Going forward the ability of the Company to ensure satisfactory and timely execution of the ongoing projects within estimated costs, increase its scale of operations, improve its profitability, ensure geographical diversification, ensure effective and timely realization of receivables, maintain & strengthen its overall credit risk profile and efficiently manage its working capital and compliance to the sanction terms would be the key rating sensitivities.

Positive: Significant and sustained revenue and margins improvement leading to cash generation, along with better working capital management and substantially higher profits will be positive for the ratings.

Negative: Deterioration in the scale of operations & decline in profitability & higher working capital, weakening the capital structure or debt protection metrics and non compliance to the lending bank's sanction terms will be negative for the ratings.

LIQUIDITY POSITION: Adequate

The company has a cash and bank balance of Rs.6 crs as on 7th Jan 2021. The utilised CC stands at Rs.1.9 crs.. The company has reported net cash accruals of Rs.21.82 crores in FY20 against current portion of long term debt of mere Rs.2.19 crs. The current ratio has stood at 1.27x as on FY20. Further, the company is utilising its cash credit limit on an average of 60-70%; however Company has received retention money release of Rs.7 crs (From Gail and IOCL) and performance securities/BG release to the tune of Rs.19 crs (GAIL and OIL. The company has availed moratorium on the bank limits during COVID.

COMPANY PROFILE

Ace Pipeline Contracts Pvt. Ltd.(APCPL) was incorporated in 1989 by Mr. Anoop Singh and Mr. Gurmeet Singh. It is in the business of engineering procurement service, pipeline project service & pipeline construction service. The Company is headquartered in Mumbai, Maharashtra.

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 at a pan-India level for various reputed Government entities from the oil and gas sector.



KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY18	FY19	FY20
Result Type		Audited	Audited	Audited
Operating Income	Rs. Crs	138.21	143.90	214.66
OPBDIT	Rs. Crs	11.76	17.33	30.23
PAT	Rs. Crs	5.07	9.94	18.74
Total Debt/TNW	Times	0.98	0.49	0.40
ISCR	Times	2.37	4.54	7.25
Current Ratio	Times	1.30	1.53	1.27

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NA

RATING HISTORY for last three years (including withdrawal and suspension):

Sr. No.	Instrument / Facilities	Current Rating			Rating History		
		Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	18-May-2020	08-Mar-2019	2017
1	Fund Based	Long Term	25.00	BWR BBB-Stable Upgrade	BWR BB+ Stable	BWR BB Stable	N.A
2	Non Fund Based	Short Term	102.00	BWR A3 Upgrade	BWR A4+	BWR A4	N.A
3	Non Fund Based	Short Term	17.00	Withdrawn	BWR A4+	BWR A4	
	Total		127.00	INR One Hundred and twenty seven Crores Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria:

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Services Sector](#)
- [Short Term Debt](#)

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Ace Pipeline Contracts Pvt. Ltd.(APCPL)

ANNEXURE I

Details of Bank Facilities rated by BWR

S.N o.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	Bank 1	Cash credit	10.00	-	10.00
		Bank Guarantee	-	65.00	65.00
2	Bank 2	Cash credit	5.00	-	5.00
		Bank Guarantee	-	7.00	7.00
3	Bank 3	Bank Guarantee	-	17.00	17.00
4	Proposed facilities	Proposed Cash Credit	10.00		10.00
		Proposed Bank Guarantee		30.00	30.00
	TOTAL		15.00	102.00	127.00



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