

Oil and Gas Plant Engineers (India) Private Limited
May 05, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating^[1]	Rating Action
Long Term Bank Facilities	0.50	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable; Issuer not cooperating)	Issuer Not Cooperating; Revised from BB; Stable on the basis of best available information
Long Term/Short Term Bank Facilities	9.00	CARE BB-; Stable/CARE A4; ISSUER NOT COOPERATING (Double B; Outlook: Stable/A Four; Issuer not cooperating)	Issuer Not Cooperating; Revised from BB; Stable/ CARE A4 on the basis of best available information
Total facilities	9.50 (Rs. Nine crores and Fifty lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from **Oil And Gas Plant Engineers (India) Private Limited (OGPE)** to monitor the ratings vide e-mail communications/letters dated April 24, 2020, March 19, 2020, March 17, 2020, March 6, 2020 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on OGPE's bank facilities will now be denoted as **CARE BB-; Stable/ CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The rating has been revised by taking into account no due-diligence conducted due to non-cooperation by OGPE with CARE'S efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk. The rating assigned to OGPE continues to remain constrained by its small scale of operations with low net worth base and foreign exchange fluctuation risk. The ratings are further constrained on account of fortunes linked to the oil and gas storage industry which is cyclical in nature risk associated with tender-based orders.

The ratings, however, draw comfort from experienced promoters with long track of operations, association with the reputed customer, comfortable capital structure and coverage indicators and moderate order.

Detailed description of the key rating drivers**Key Rating Weaknesses****Small though increasing scale of operations with low Net worth Rate**

OGPE's scale of operations remained modest marked by total operating income of Rs. 31.36 crore and gross cash accruals of Rs. 0.92 crores during FY19 as against Rs. 26.50 crore and gross cash accruals of Rs. 0.87 crores during FY18 (refers to the period April 01 to March 31). Further, the company's net worth base was relatively moderate at Rs. 9.84crore as on March 31, 2018. The modest scale limits the company's financial flexibility in times of stress and deprives it from scale benefits.

Fortunes linked to the oil and gas storage industry which is cyclical in nature risk associated with tender-based orders

Prospects of oil and gas storage industry are strongly co-related to economic cycles. Demand for oil and gas storage products is sensitive to trends of particular industries such as automotive, construction, infrastructure, etc., which are the key consumers of oil and gas storage products. These key user industries in turn depend on various macroeconomic factors, such as consumer confidence, employment rates, interest rates and inflation rates, etc., in the economies in which they sell their products. When downturns occur in these economies or sectors, these products may witness decline in demand, which may lead to decrease in metal putting pressure on the firm. The company also undertakes government projects mainly oil and gas like IOCL, BPCL, HPCL, etc., which are awarded through the tender-based system. The company is exposed to the risk associated with the tender-based business, which is characterized by intense competition.

Foreign exchange fluctuation risk

The business operations of OGPE involve imports resulting in cash outflow in foreign currency. OGPE imports its raw material from USA, Japan, China and European countries which is 20% of total raw materials purchased. The company does not hedge

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

its foreign currency risk, and being initial cash outlay in foreign currency and realization in domestic currency, company's profitability margin are exposed to volatility in foreign exchange.

Key Rating Strengths

Experienced promoters with long track record of operations

OGPE has been engaged in setting up of LPG and other Gas storage Plants on Turnkey basis and supply of specifies equipment for Oil and Gas sector for almost two and half decade which aid in establishing a healthy relationship with both customers and suppliers. The company is promoted by Mr. Vivek Madan and Mr. Omkar Chadda. Operations of the company are currently being managed by Mr. Vivek Madan. He is B.Tech by qualification having experience of almost two and half decades in this industry through his association with OGPE. Further he is also assisted by qualified head of departments working for OGPE and has very extensive experience in their respective fields.

Association with the reputed customer

The OGPE has been into oil and gas storage business and has established relationship with numerous reputed customers in different industries. The customer base of the company comprises domestic corporates spread across various industries and also government departments like Maruti, Ashoka Leyland Honda, IOCL, BPCL and HOCL etc. The company has been getting the repetitive orders for from its clients. This long-term and close relationship with its clients is reflective of the company's demonstrated ability to provide quality products. The association with reputed customer ensures the quality of products sold by the company and results in higher revenue visibility and increased presence in the market.

Comfortable capital structure and coverage indicators

The capital structure of the company marked by overall gearing ratio stood comfortable as on past three balance sheet dates i.e. FY17-FY19 mainly on account of low reliance on external borrowings. Overall gearing stood comfortable at 0.14x as on March 31, 2019.

Further, coverage ratios and GCA stood comfortable marked by interest coverage and total debt to GCA at 5.93x and 1.49x respectively as on March 31, 2019.

Analytical Approach: Standalone

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Short Term Instruments](#)

[CARE's methodology for manufacturing companies](#)

[Financial ratios – Non-Financial Sector](#)

About the company

Oil And Gas Plant Engineers (India) Private Limited was incorporated in 1993 by Mr. Omkar Chadda and MR. Vivek Madan. OGPE is an Engineering, Procurement and Construction (EPC) Company engaged in the manufacturing & Installation of Bulk Storage Installations, LPG Storage Systems, Propane Storage Systems, Natural Gas Storage Systems, LPG Bottling plants, gas leak detectors etc. OPGE is involved in manufacturing and EPC (Engineering, Procurement and Construction) of Specialized Equipment as also setting up complete LPG , Oil and Natural Gas systems on the turnkey basis and has its manufacturing unit in Faridabad, Haryana.

Brief Financials (Rs. crore)	31-03-2017	31-03-2018	31-03-2019
	A	A	A
Total operating income	1.60	1.83	1.91
PBILDT	0.54	0.80	0.89
PAT	0.05	0.03	-0.06
Overall gearing (times)	0.90	2.47	1.77
Interest coverage (times)	1.59	1.59	1.22

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	0.50	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable on the basis of best available information
Non-fund-based - LT/ ST-Bank Guarantees	-	-	-	6.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable / CARE A4 on the basis of best available information
Non-fund-based - LT/ ST-Bank Guarantees	-	-	-	3.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable / CARE A4 on the basis of best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	0.50	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable on the basis of best available information	-	-	1)CARE BB; Stable (22-Mar-19)	-
2.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	6.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable / CARE A4 on the basis of best available information	-	-	1)CARE BB; Stable / CARE A4 (22-Mar-19)	-
3.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	3.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable / CARE A4 on the basis of best available information	-	-	1)CARE BB; Stable / CARE A4 (22-Mar-19)	-

Note on complexity levels of the rated instrument: CARE has 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.

Contact us

Media Contact

Mradul Mishra

Contact no.: +91-22-6837 4424

Email ID: mradul.mishra@careratings.com

Analyst Contact

Name: Mr. Amit Jindal

Contact no.: +91- 11-4533 3228

Email ID: amit.jindal@careratings.com

Business Development Contact

Name: Ms. Swati Agrawal

Contact no.: +91-11-4533 3200

Email ID: swati.agrawal@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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