April 15, 2024

Cryolor Asia Pacific Private Limited: [ICRA]BBB(Stable)/[ICRA]A3+ assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based – Term loan	63.50	[ICRA]BBB (Stable); assigned
Short-term – Non-fund based facilities – Bank guarantee	80.00	[ICRA]A3+; assigned
Short term fund-based limits – Overdraft	5.00	[ICRA]A3+; assigned
Short term fund-based and non-fund based working capital facilities	30.00	[ICRA]A3+; assigned
Unallocated limits	1.50	[ICRA]BBB (Stable)/ [ICRA]A3+; assigned
Total	**180.00**	

**Instrument details are provided in Annexure-I*

Rationale

The assigned ratings factor in Cryolor Asia Pacific Private Limited's (CAPPL) extensive experience in manufacturing cryogenic tanks. CAPPL is part of the Air Liquide Group. CAPPL's parent company, Cryolor S.A., France, is a wholly-owned subsidiary of Air Liquide S.A., rated Moody's A2(Stable)/P-1. Cryolor S.A. has more than four decades of experience in manufacturing and selling cryogenic storage and transportation equipment.

The ratings also factor in the strong parent group, providing significant benefits to CAPPL in terms of operational support by way of design and technology sharing, sales and human resources, and financial support, evident from the recent equity infusion for the capex. ICRA notes the vast experience and large scale of operations of Air Liquide S.A and considers the strategic importance of CAPPL to the parent group with benefits arising due to the cost effectiveness of manufacturing in India. The support towards CAPPL's capacity expansion further indicates the Group's intentions to improve its presence in India and the benefit from the advantages of manufacturing in India. The ratings also factor in the comfortable financial risk profile of CAPPL with improved profitability in the last two years. Further, the capital structure and coverage indicators remain comfortable and the trend is expected to continue, going forward.

The ratings, however, are constrained by the moderate scale of operations with revenues of Rs. 171.5 crore in FY2024 though the revenues improved from FY2023. Further, the profitability remains vulnerable to the volatility in raw material prices. The ratings also remain constrained by the working capital-intensive nature of operations with high inventory levels. The company's business model entails stocking high levels of 7-8 months' inventory, stretching the working capital cycle.

The Stable outlook on the long-term rating reflects ICRA's expectation that CAPPL is likely to sustain its operating metrics while maintaining its debt protection metrics. Further, the addition of incremental capacity will support the revenue growth.

Key rating drivers and their description

Credit strengths

Extensive experience in manufacturing cryogenic tanks – CAPPL was incorporated in 2008 and started operations in 2010. The company has 14 years of experience in manufacturing cryogenic tanks for storage and transport. The parent, Cryolor SA, France, has more than 40 years of experience in manufacturing and selling cryogenic storage and transportation equipment.

Part of the Air Liquide Group – CAPPL is part of the Air Liquide Group. CAPPL's parent company is Cryolor S.A., France, which is a wholly-owned subsidiary of Air Liquide S.A., rated Moody's A2(Stable)/P-1. Air Liquide is a French company involved in gases, technologies and services for industries and healthcare with revenues of 27.6 billion euros in 2023. Air Liquide was founded in 1902 and is present in 72 countries.

The strong parent group gives significant benefits to CAPPL in terms of financial support as witnessed by the recent equity infusion for the capex, and operational support by way of design and technology, sales and human resources. ICRA notes the vast experience and large scale of operations of Air Liquide S.A and considers the strategic importance of CAPPL to the parent group, with benefits arising due to the cost effectiveness of manufacturing in India. The support towards CAPPL's capacity expansion further indicates the Group's intentions to improve its presence in India and benefit from the advantages of manufacturing in India. Further, majority of the revenues generated by CAPPL is from the group entities.

Comfortable financial risk profile – CAPPL's financial risk profile remains comfortable with improved profitability in the last two years. The capital structure is comfortable with gearing of 0.93 times as on March 31, 2023, and is expected to remain less than 1 times as on March 31, 2024. The tangible net worth increased over the years with improved profitability, resulting in increased accretion to reserves along with equity infusion. Further, the coverage metrics remain comfortable with interest coverage of 3.6 times for FY2024. The leverage and coverage metrics are expected to remain comfortable, going forward.

Credit challenges

Moderate scale of operations – CAPPL's scale of operations remains moderate with revenues of Rs. 171.5 crore in FY2024, though the revenues have improved from FY2023. The company has recently undertaken a major capex, doubling its capacity to 400 tanks per annum from 200 tanks per annum; however, the effective translation of an enhanced capacity to higher orderbook and sales remains to be seen.

Working capital-intensive operations with high inventory levels – The working capital intensity remains high with NWC/OI of 58% in FY2023 owing to the large inventory days. The company's business model entails stocking high levels of inventory, with a raw material procurement lead time of 2-3 months for stainless steel of the required specification, 2-3 months' lead time for fabrication of tanks and an average lead time of 2 months to deliver the products to the end clients, predominantly in the US, resulting in an inventory holding of 7-8 months and stretching the working capital cycle.

Margins vulnerable to volatility in raw material prices – The margins remain vulnerable to the volatility in raw material prices. Further, CAPPL's high inventory holding exposes it to raw material volatility. The company revises the price list for orders every quarter based on the latest available stainless-steel benchmarks, however, the risk of volatility persists.

Liquidity position: Adequate

The company's liquidity position is adequate, supported by sufficient buffer in working capital limits with an average utilisation of 58% in the fund-based working capital limits for the past 12 months ended February 2024. The company has term loan repayments of Rs. 7.8 crore each in FY2025 and FY2026, which are expected to be comfortably met by the company's cash accruals. Further, the capex plans remain modest at Rs. 3-5 crore each over the next two years.

Rating sensitivities

Positive factors – ICRA may upgrade the ratings if the company demonstrates a sustained improvement in its revenues and profitability, thereby improving its liquidity position and debt coverage metrics.

Negative factors – Pressure on the ratings could arise if there is a sustained decline in revenue and profitability, or a stretch in the working capital cycle, along with a large debt-funded capex, which will weaken the credit profile. The ratings may be downgraded if the interest coverage is less than 3.0 times on a sustained basis. Further, a moderation in the credit profile of the parent group or weakening of the linkages of CAPPL with the parent group will also weigh on the ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Parent Company: Cryolor S.A (subsidiary of Air Liquide S.A., rated Moody's A2(Stable)/P-1 CAPPL is part of the strong parent group (Air Liquide S.A) with a track record of operational and financial support. ICRA expects the parent group to provide additional financial support to CAPPL, should the need arise
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of CAPPL

About the company

Cryolor Asia Pacific Private Limited (CAPPL), incorporated in 2008, is a wholly-owned subsidiary of Cryolor S.A. France, which in turn is a subsidiary of Air Liquide S.A., rated Moody's A2(Stable)/P-1. CAPPL has its manufacturing unit in Chennai, Tamil Nadu, and is involved in the manufacturing of storage and transportation cryogenic tanks and provides services such as preventive maintenance, installation of cryogenic tanks, etc.

Cryolor S.A has significant experience of over 40 years and specialises in designing and manufacturing cryogenic equipment for the transport & storage of liquefied gases for the industry markets, and notably electronics, health and energy transition {hydrogen, nitrogen, argon, oxygen, carbon dioxide and natural gas (LNG)}. Cryolor S.A. is one of the leading manufacturers of cryogenic tanks worldwide with 500+ customers across 80 countries.

Air Liquide is a French company involved in gases, technologies and services for industries and healthcare with revenues of 27.6 billion euros in 2023. Air Liquide was founded in 1902 and is present in 72 countries.

Key financial indicators (audited)

CAPPL	FY2022	FY2023	FY2024*
Operating income	93.13	118.41	171.54
PAT	8.15	16.71	
OPBDIT/OI	11.3%	16.5%	14.3%
PAT/OI	8.8%	14.1%	
Total outside liabilities/Tangible net worth (times)	0.71	1.32	
Total debt/OPBDIT (times)	0.00	3.81	
Interest coverage (times)	51.38	24.87	3.60

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; *Provisional*

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2025)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as of Mar 31, 2023 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
					Apr 15, 2024	-	-	-
1	Term loans	Long term	63.50	46.99	[ICRA]BBB (Stable)	-	-	-
2	Bank guarantee	Short term	80.00	-	[ICRA]A3+	-	-	-
3	Overdraft	Short term	5.00	-	[ICRA]A3+	-	-	-
4	Working capital facilities	Short term	30.00	-	[ICRA]A3+	-	-	-
5	Unallocated limits	Long term and short term	1.50	-	[ICRA]BBB (Stable)/ [ICRA]A3+	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term fund-based term loan	Simple
Short term non-fund based facilities – Bank guarantee	Very Simple
Short term fund-based limits – Overdraft	Simple
Short term fund-based and non-fund based working capital facilities	Very Simple
Unallocated limits	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Long term fund-based term loan	FY2023	9.20%	FY2029	63.50	[ICRA]BBB(Stable)
-	Short term non-fund based facilities – Bank guarantee	NA	NA	NA	80.00	[ICRA]A3+
-	Short term fund-based limits – Overdraft	NA	NA	NA	5.00	[ICRA]A3+
-	Short term fund-based and non-fund based working capital facilities	NA	NA	NA	30.00	[ICRA]A3+
-	Unallocated limits	NA	NA	NA	1.50	[ICRA]BBB(Stable)/[ICRA]A3+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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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.

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