

May 15, 2023

AirLife Gases Pvt. Ltd.: Ratings assigned.

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long term - Fund based – Cash credit	5.40	[ICRA]BB+(Stable); assigned
Long term - Fund based – Term loan	9.40	[ICRA]BB+(Stable); assigned
Long term – Non-fund based -Financial bank guarantee	12.60	[ICRA]BB+ (Stable); assigned
Short term – Non-fund based - SBLC	9.60	[ICRA]A4+; assigned
Long term/Short term – Unallocated limits	3.00	[ICRA]BB+ (Stable)/[ICRA]A4+, assigned
Total	40.00	

*Instrument details are provided in Annexure-I

Rationale

To arrive at the ratings, ICRA has consolidated the financials of AirLife Gases Private Limited (AGPL) and its wholly-owned subsidiary – AirLife Gases USA, Inc. - on account of the management, business and financial linkages among these entities.

The ratings consider the substantial experience of the promoters in industrial gases and a healthy demand outlook for helium in India amid limited supplies. The ratings also take into account the long-term supply contract with a major helium supplier, ensuring uninterrupted supply. The ratings also factor in the expected improvement in the financial risk profile of the company, going forward, backed by healthy cash accruals amid limited capex plans and moderate repayment obligations.

The ratings, however, are constrained by the company's limited track record of operations in the helium gas business as it started operations in FY2021. The ratings are also constrained by the small scale of operations in an intensely competitive industry dominated by global players. The high dependence on helium for revenue also constrains the rating, as the profitability will remain exposed to the volatility in demand and the prices of a single product.

The Stable outlook reflects ICRA's opinion that AGPL's financial performance will continue to benefit from a healthy demand outlook for helium in India.

Key rating drivers and their description

Credit strengths

Long track record of promoters in industrial gases – Mr. Kiran Karnawat, the promoter of AGPL, has been engaged in the business of industrial gases for the past 15 years. The promoter had scaled up a similar venture in the past which was sold to a Japanese industrial gases player.

Long-term supply contract with major helium supplier ensuring continuous supply – AGPL is assured of a secured supply of liquid helium through its wholly-owned subsidiary, AirLife Gases USA, Inc. AirLife Gases USA has executed a long-term supply contract with a major helium supplier based in Canada. As the transportation of liquid helium from US/Canada to India results in high freight costs, the company reduces these costs through swap contracts with other companies. This lowers the overall cost and improves the utilisation of containers.

Expected improvement in operational performance - The operational and financial performance of the company is expected to improve, driven by a positive demand outlook for helium in India and the company's access to secured helium supplies. As a result, the company should be able to service its end users comfortably. The company does not have any major capex plans, going forward, and the debt repayments are also moderate vis-à-vis the cash accruals which will help improve the financial risk profile.

Credit challenges

Small scale of operations; intensely competitive industry dominated by global majors – The industrial gas industry is highly competitive due to the commoditised nature of the product. The company faces stiff competition from the Indian subsidiaries of major international players, given AGPL's small scale of operations.

Product concentration risk – The company generates revenue primarily through the distribution of helium, backed by healthy demand for the industrial gas in India. As a result, the revenue and profitability of the company will remain exposed to the volatility in demand and prices of Helium.

Liquidity position: Adequate

AGPL's liquidity position is expected to remain adequate, supported by low debt repayments and capex plans vis-à-vis net cash accruals. The liquidity is supported by free cash of Rs. 3.22 crore at the end of FY2022 (standalone) and average utilisation of fund-based limits of ~30% for the 11 months ended December 2022.

Rating sensitivities

Positive Factors – ICRA could upgrade the ratings if there is a sustained increase in its scale of operations while maintaining healthy operating margins and liquidity.

Negative factors - Pressure on the ratings could emerge if the company undertakes a sizeable debt-funded capital expenditure or acquisition, which impacts its capital structure and/or liquidity, or in case of a sustained moderation in revenue and profitability. Additionally, any deterioration in the company's working capital cycle impacting its cash flows and liquidity may trigger a downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating approach - Consolidation
Parent/Group support	Not Applicable
Consolidation/Standalone	To arrive at the ratings, ICRA has consolidated the financials of AirLife Gases Private Limited (AGPL) and its subsidiary – AirLife Gases USA, Inc.

About the company

AirLife Gases private limited (AGPL) is a new entrant in the business of packaged gas distribution network across the country to cater to the industrial gas requirements of the Indian market. The company is primarily involved in packaged distribution of liquid helium, which finds application in sectors such as healthcare, electronics and semiconductors. The company also leases ISO tankers to corporates for transporting helium gas. AGPL also incorporated a wholly-owned subsidiary in USA – AirLife Gases USA, Inc - in 2020 for sourcing the raw material i.e. liquid helium.

Key financial indicators (audited)

Standalone	FY2021	FY2022
	Standalone	
Operating income	0.00	30.3
PAT	-2.4	5.1
OPBDIT/OI	NA	23.5%
PAT/OI	NA	16.8%
Total outside liabilities/Tangible net worth (times)	0.5	3.3
Total debt/OPBDIT (times)	-1.2	4.50
Interest coverage (times)	-851.0	9.9

Consolidated	FY2022
Operating income	41.5
PAT	5.3
OPBDIT/OI	18.0%
PAT/OI	12.9%
Total outside liabilities/Tangible net worth (times)	3.3
Total debt/OPBDIT (times)	4.3
Interest coverage (times)	10.4

Source: Company; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	Amount outstanding as on Dec 2022 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	
					May 15, 2023				-
1	Long term – Fund based - Term loan	Long-term	9.40	8.23	[ICRA]BB+ (Stable)	-	-	-	
2	Long term – Fund based - Cash credit	Long-term	5.40	-	[ICRA]BB+ (Stable)	-	-	-	
3	Long term- Non-fund based – Financial bank guarantee	Long-term	12.60	-	[ICRA]BB+ (Stable)	-	-	-	
4	Short term- Non-fund based - SBLC	Short-term	9.60	-	[ICRA]A4+	-	-	-	
5	Long term/ Short term- Unallocated limits	Long term/ Short-term	3.00	-	[ICRA]BB+ (Stable) /[ICRA]A4+	-	-	-	

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term loan	Simple
Cash credit	Simple

Instrument	Complexity Indicator
Financial Bank guarantee	Very Simple
Stand by letter of credit	Very Simple
Unallocated limits	-

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
NA	Term loan	January 2022	EBLR + 4.75%	June 2028	9.40	[ICRA]BB+ (Stable)
NA	Cash credit	NA	NA	NA	5.40	[ICRA]BB+ (Stable)
NA	Financial Bank guarantee	NA	NA	NA	12.60	[ICRA]BB+ (Stable)
NA	Stand by letter of credit	NA	NA	NA	9.60	[ICRA]A4+
NA	Unallocated limits	NA	NA	NA	3.00	[ICRA]BB+ (Stable)/[ICRA]A4+

Source: Company.

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	JMBPL	Consolidation Approach
AirLife Gases USA, Inc	100%	Full Consolidation

Source: Company

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Branches



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