

## ATCO Atmospheric and Speciality Gases Private Limited

February 02, 2023

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	4.45	CARE B+; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

ATCO Atmospheric and Speciality Gases Private Limited (ASGPL) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Ltd.'s rating on ASGPL's bank facilities will now be denoted as **CARE B+; Stable; 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 rating(s).**

The rating is constrained on account of its moderate financial risk profile marked by moderate scale of operations coupled with moderate profitability margins, leveraged capital structure and moderate debt coverage indicators during FY22 (Audited; period refers from April 01 to March 31). Further, rating also remained constrained on account of stretched liquidity coupled with the competitive nature of the industrial gas industry and vulnerability of the business risk profile to any downturn in its end-user industry and exposure to foreign exchange risk. The rating, however, derives strength from experienced promoters and stable demand outlook of industrial gases industry.

**Analytical approach:** Standalone

### Key weaknesses

#### Moderate scale of operations coupled with moderate profitability margins

ASGPL has registered total operating income at Rs.28.12 crore in FY22 as against Rs.10.42 crore in FY21. ASGPL exports approximately 20% of its TOI in FY21 to countries such as Korea, Singapore and Arab countries. Furthermore, PBILDT margin declined to 8.40% in FY22 as against 11.96% in FY21. Consequently, PAT margin declined to 2.25%% in FY22 as against 3.03% in FY21.

#### Leveraged capital structure and moderate debt coverage indicators

The capital structure of the company remained leveraged marked by an overall gearing of 4.68 times as on March 31, 2022 which improved from 5.58 times as on March 31, 2021. Also, debt coverage indicators remained moderate during FY22 marked by interest coverage of 5.03 times as against 3.45 times during FY21 due to improvement in GCA with improvement in profitability. Further, total debt to GCA remained 4.44 years in FY22 as against 7.22 years in FY21.

#### Competitive nature of the industrial gas industry

The industrial gas industry is highly competitive due to the commoditized nature of the products and limited product differentiation and the company faces competition from the Indian subsidiaries of the international majors and other unorganized players leading to limited ability to pass on the rise in input cost. However, long distance transportation is not very viable in the industry and the local manufacturer has the advantage of freight cost over other players.

#### Vulnerability of the business risk profile to any downturn in its end-user industry and exposure to foreign exchange risk

The demand for industrial gasses depends upon the performance of the manufacturing sector. Any adverse movement in the industry can adversely impact the performance of ASGPL as well Industrial gases are a consumable product and not a standalone finished product. Being a derived demand, its growth and profitability depends on the growth and profitability of user industries. The business operations of ASGPL involve both exports and imports resulting in sales realization and cash outflow in foreign currency. However, being importer and exporter, the foreign currency risk is partially mitigated through a natural hedge. ASGPL is exposed to fluctuations in the value of rupee which may impact its cash accruals. ASGPL reported foreign exchange gain/loss of Rs.0.88 lakh during FY22 as against Rs. 1.73 lakh during FY21.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

## Key strengths

### Experienced Promoter

ASGPL was established in 2010 as Private Limited Company. Presently, operations are managed by Mr. Dhruvit Patel having almost decade of experience in same line of business through association with ASGPL and looks after overall management. His experience helps the company in strategic planning and expansion of the business. Further, he is supported by Mrs. Shruti Patel, who joined the business in the year 2012.

### Stable demand outlook of Industrial gases

Industrial gas market is expected to grow from USD 91.9 billion in 2021 to USD 148.16 billion in 2028 implying 7.2% CAGR. The growing demand from major end user industry will contribute the growth of industrial gas market. Factors positively contributing to the growth are increasing investment in manufacturing industry, healthcare industry, increasing industrialization.

### Liquidity: Stretched

The liquidity position of the ASGPL remained stretched marked by moderate working capital cycle of 15 days during FY22 as against 33 days during FY21. Cash and bank balance remained moderate at Rs.0.02 crore as on March 31, 2022 (Rs. 0.64 crore as on March 31, 2021). GCA level remained moderate at Rs.1.83 crore during FY22. Moreover, ASGPL has also availed Working Capital Term Loan under Guaranteed Emergency Credit Line (GECL) Scheme of Rs.0.44 Crore and 0.88 crore in June 2020 and November 2021 respectively.

### Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

### About the company

Ahmedabad (Gujarat) based ASGPL was incorporated as Private Limited company in 2010 by Mr. Dhruvit Patel. ASGPL is engaged in the business of purification and supply of wide range of industrial gases, speciality gases, medical mixture gases, rare gases like Neon, Krypton, Xenon, etc. They have a capacity to process 35-40 cylinders per day and storage capacity of 3000 gas cylinders at their warehouse located at GIDC Vatva and purification plant at Pinglaj, Kheda district.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23 (Prov.)
Total operating income	10.42	28.12	NA
PBILDT	1.25	2.36	
PAT	0.32	0.63	
Overall gearing (times)	5.58	4.68	
Interest coverage (times)	3.45	5.03	

A: Audited, Prov.: Provisional, NA: Not Available

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of the various instruments rated:** Annexure-4

**Lender details:** Annexure-5**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	1.80	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	31-05-2027	2.65	CARE B+; Stable; ISSUER NOT COOPERATING*

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	1.80	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (13-Dec-21)	-	-
2	Fund-based - LT-Term Loan	LT	2.65	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (13-Dec-21)	-	-

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities:** Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

**Annexure-5: Lender details**To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE Ratings Limited has classified instruments rated by it on the basis of complexity. This classification is available at [www.careedge.in](http://www.careedge.in). Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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### About CARE Ratings:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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