

## Inox India Limited

July 03, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term / Short Term Bank Facilities	835.00 (Enhanced from 630.00)	CARE AA-; Stable / CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Inox India Ltd. (IIL) continue to derive strength from its extensive experience in the cryogenic tanks sector and its strong market position. IIL is India's leading manufacturer of cryogenic storage tanks, holding a substantial presence in industrial gases and liquefied natural gas (LNG). Ratings also factor in the extensive experience of the promoters being part of the restructured Inox Group under the Pavan Jain faction (comprising other group entities – Inox Air Products Ltd and having 16.85% stake in PVR Inox Pictures), the established operational track record and the diversified revenue profile across the industrial gases & LNG segments, and intermittent orders from the International Thermonuclear Experimental Reactor project (ITER).

IIL has recorded robust revenue growth of 17.84% in FY24 driven by strong demand from industries such as healthcare, energy, and industrial gases while maintaining healthy margins. IIL's diverse product portfolio serves various sectors, including LNG, green hydrogen, energy, steel, agriculture, medical, chemicals, aviation, pharmaceuticals, and construction. The company's products are essential in satellite and launch facilities, cryogenic propulsion systems, and fusion research projects such as ITER. IIL demonstrates strong liquidity, supported by a healthy cash and bank balance. The company's financial risk profile continues to remain robust with net debt-free profile and has no long-term debt obligations.

The above rating strengths are, however, tempered by exposure to raw material price risks, currency fluctuations, competition in the global market, and the working capital-intensive nature of its operations.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Sustained growth in total operating income and operating margins above 22%

#### Negative factors

- Deterioration in PBILDT margin below 18% on a sustained basis
- Any large debt-funded capex or investment in group/unrelated parties, resulting in deterioration of overall gearing to 0.5x (including customer advances) on a sustained basis

### Analytical approach: Consolidated

A consolidated approach has been adopted for IIL as the entities are in the same line of business, enabling unified financial reporting and a comprehensive view of the company's performance.

### Outlook: Stable

The stable outlook reflects the sustenance of the improvement in the operating and financial risk profile of the company amidst healthy cash flow generation from operations and absence of any large debt-funded capex or acquisition plans in the medium term.

### Detailed description of the key rating drivers:

#### Key strengths

#### Leadership position in the domestic cryogenics industrial segment

IIL is a strong player in cryogenic equipment for industrial gases and has maintained its leadership position in this segment in India, with over 70% market share in the domestic market. The company also plans to expand its presence in the cryo-bio and life-sciences segment with new products developed for vaccines, stem cells, blood and bio-specimens. The company has developed an entire range of new transport equipment with payload specifications.

<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

### **Strong operational performance in FY24**

On the back of good demand prospects, total operating income of IIL improved from Rs.968.06 crore in FY23 to Rs.1134.88 crore marked by Y-o-Y growth of 17.85%. Also, its operating profitability margin continued to remain healthy at 22.60% (PY: 21.50%) on the back of good control over its cost structure. In line with improved PBILDT margin, its PAT margin also improved from 15.98% in FY23 to 17.27% in FY24.

### **Part of the Inox Group (under Pavan Jain faction)**

IIL is a part of the restructured Inox group (under the Pavan Jain faction). The group has interests in other sectors like industrial gases and entertainment. The day-to-day operations of the company are managed by Deepak Acharya, who is the Chief Executive Officer, and has more than 35 years of experience, including that of specialisation in fabrication of large pressure vessels, coded vessels and cryogenic tanks, with specialisation in cryogenic welding techniques. Siddharth Jain, an alumnus of the University of Michigan, Ann Arbor, with a degree in Mechanical Engineering and a MBA from INSEAD, is the Executive Director at IIL.

### **Comfortable capital structure and strong debt coverage indicators**

The company has robust debt coverage indicators, characterised by overall gearing (including customer advances) of 0.43x as on March 31, 2024 (PY: 0.68x) supported by higher profitability. The debt metrics is expected to remain strong as there is no debt-funded capex planned. Also, its debt coverage indicators marked by interest coverage and TDGCA stood comfortable on the back of lower debt level.

### **Liquidity: Strong**

The company has strong liquidity, supported by a cash and bank balance of Rs.251.60 crore as of March 31, 2024. The current ratio improved to 1.76x in FY24, indicating a robust liquidity position. Additionally, gross cash accruals stood at Rs.214.68 crore in FY24 with no term debt repayment obligations. Further, there was minimal utilisation of its fund based and non-fund based working capital limits for the past 12 months ended April 2024.

### **Key weaknesses**

#### **Exposed to competitive intensity in India as well as international markets**

The company is a leading player in the industrial gases segment in the domestic market. The other players in the industry are relatively smaller in comparison to IIL. The industry is characterised by higher entry barriers due to approvals required from government agencies. Nevertheless, the scale of operations of the company is relatively modest and it is not a very large player in the global market.

#### **Working capital intensive nature of operations**

IIL has working capital-intensive operations characterized by higher inventory holdings of 188 days in FY24 due to long production cycles, high-cost inventory items, the need for customized products, and management of a global supply chain. Inventory levels have increased over the years due to a rise in orders scheduled for execution over the next 12-15 months. The conversion cycle also varies depending on the type of tanks supplied, ranging from one month to a year and a half. However, large part of its working capital requirement is met through internal accruals and customer advances with very low reliance on bank borrowings.

#### **Susceptibility to raw material price risk and currency risk**

The principal raw material required for manufacturing cryogenic tanks is stainless steel. Steel prices have depicted significant volatility in recent past. The company procures majority of its steel requirements from the domestic market. Since the company purchases raw materials immediately after an order is received, the raw material price risk is mitigated to an extent. The company operates internationally too, with transactions being entered in several currencies. However, the company is primarily exposed to the foreign currency risk against USD. The company does not have a formal hedging policy, although a portion of the forex exposure is hedged naturally.

## Environment, social, and governance (ESG) risks

	Risk factors
<b>Environmental</b>	Not significant; the company has received approval from Gujarat Pollution Control Board (GPCB) for setting up the new plant and approval for non-agricultural use for 6 out of 8 survey numbers of Savli Land.
<b>Social</b>	<ul style="list-style-type: none"> <li>• <b>Healthcare Services:</b> IIL's Mobile Health Unit, in collaboration with the Shroff Foundation Trust, provides essential medical care to over 5200 individuals in seven villages near the INOXCVA Kalol Plant, focusing on elderly citizens through weekly visits and home check-ups.</li> <li>• <b>Education Support:</b> The Udayan Shalini Project, supported by INOXCVA, aids 50 underprivileged girls from Kalol and Vadodara, helping them pursue higher education for five years until graduation.</li> <li>• <b>Community Outreach:</b> The Mobile Health Unit uses a VAN with doctors and paramedics to offer medical services and check-ups in the villages, emphasising home visits for elderly individuals living alone.</li> </ul>
<b>Governance</b>	No governance issues as per auditor's report nor any qualified opinion. 50% of the board members comprise independent directors.

## Applicable criteria

[Consolidation](#)

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Capital Goods	Industrial Products	Other Industrial Products

Incorporated in 1992, INOX India Limited (IIL) is a part of the restructured Inox Group promoted by Mr. Pavan Kumar Jain and Mr. Siddhartha Jain. INOX India Limited is the leading manufacturer of cryogenic storage tanks in India, holding a significant market share in cryogenic tanks, industrial gases, and LNG. The company operates manufacturing facilities at Kalol, Kandla, Bhachau and Silvassa, exporting to over 100 countries. The company caters to a wide range of industries, including industrial gases, liquefied natural gas, green hydrogen, energy, steel, fishing, agriculture, irrigation, medical and healthcare, chemicals and fertilizers, aviation and aerospace, pharmaceuticals, and construction.

Brief Financials (₹ crore)	FY23 (A)	FY24 (A)
Total operating income	968.06	1,134.88
PBILDT	208.17	256.44
PAT	154.74	196.00
Overall gearing (times)	0.68	0.43
Interest coverage (times)	56.50	45.23

A: Audited; Note: 'the above results are latest financial results available'

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

**Any other information:** Not applicable

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

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

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

**Lender details:** Annexure-5

**List of all the entities consolidated –** Annexure-6

#### 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/ ST-Cash Credit		-	-	-	205.00	CARE AA-; Stable / CARE A1+
Non-fund-based - LT/ ST-BG/LC		-	-	-	630.00	CARE AA-; Stable / CARE A1+

#### 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT/ ST-Cash Credit	LT/ST	205.00	CARE AA-; Stable / CARE A1+	-	1)CARE AA-; Stable / CARE A1+ (04-Jul-23)	1)CARE AA-; Stable / CARE A1+ (10-Jan-23)	1)CARE AA-; Stable / CARE A1+ (11-Mar-22)
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	630.00	CARE AA-; Stable / CARE A1+	-	1)CARE AA-; Stable / CARE A1+ (04-Jul-23)	1)CARE AA-; Stable / CARE A1+ (10-Jan-23)	1)CARE AA-; Stable / CARE A1+ (11-Mar-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

#### Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: NA

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

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-Cash Credit	Simple
2	Non-fund-based - LT/ ST-BG/LC	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Annexure-6: List of all the entities consolidated**

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	INOXCVA Comercio E Industria De Equipamentos Criogenicos Ltd, Brazil	Full	Wholly owned subsidiary
2	INOXCVA Europe BV	Full	Wholly owned subsidiary

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

## Contact us

<b>Media Contact</b>  Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a>	<b>Analytical Contacts</b>  Ranjan Sharma Senior Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3453 E-mail: <a href="mailto:ranjan.sharma@careedge.in">ranjan.sharma@careedge.in</a>
<b>Relationship Contact</b>  Saikat Roy Senior Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3404 E-mail: <a href="mailto:saikat.roy@careedge.in">saikat.roy@careedge.in</a>	Hardik Manharbhai Shah Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3591 E-mail: <a href="mailto:hardik.shah@careedge.in">hardik.shah@careedge.in</a>
	Arti Roy Associate Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3657 E-mail: <a href="mailto:arti.roy@careedge.in">arti.roy@careedge.in</a>

### About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

### Disclaimer:

The ratings issued by CARE 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. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,  
please visit [www.careedge.in](http://www.careedge.in)**