AIMS Oxygen Private Limited

January 23, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	10.00	CARE B+; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of AIMS Oxygen Private Limited (AOPL) are constrained on account of AOPL's low net worth base, modest scale of operations and competitive nature of the industrial gas and medical gas industry. Further ratings are also constrained by moderate capital structure and debt coverage indicators. The ratings, however, favourably consider the long experience of the promoters with established presence in the industry. Further, it derives strength from moderate operating profitability, adequate liquidity and stable demand outlook.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant improvement in scale- of operations while maintaining PBILDT margin above 12%, on a sustainable basis.
- Improvement in overall gearing below 1.00x

Negative factors

- Availing additional debt resulting in deterioration of leverage and debt coverage indicators.
- Elongation of operating cycle more than 70 days.

Analytical approach: Standalone

Key weaknesses

Modest scale of operations and low net-worth base

During last three years ended FY22, Total Operating Income (TOI) of AOPL has been modest and stood at Rs.19.02 crore in FY22 (P.Y.: Rs.12.64 crore). Further till December 31, 2022, the company has registered sales of Rs.10 crore. As articulated by management, company has orders in hand of Rs.8 cr as November 30, 2022, to be executed in FY23. Further, company has already started trading of chemicals for Food and Beverages, Fragrances, Personal Care, paint, ink and coatings and also trades allied equipments such as liquid cylinders, medical and industrial cylinders, Oxygen generator, cylinder valves and so on.
Networth base of the company remains small at Rs.4.43 cr. as on March 31, 2022.

Moderately Leveraged capital structure and moderate debt coverage indicators

The capital structure of the company is moderately leveraged marked by an overall gearing of 1.52 times as on March 31, 2022 which improved from 3.89 times as on March 31, 2021 due to proportionately higher improvement in tangible net worth with regard to increase in debt as on March 31 2022. Debt coverage indicators of the company remains moderate marked by interest coverage of 6.65 times in FY22 as against 2.35 times during FY21 due to improvement in gross cash accruals with improvement in profitability. Further, total debt to GCA remained 2.06x in FY22 as against 7.13x in FY21. Company plans to avail additional loan of Rs.0.80 cr. in December 2023 for mobile tanker.

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

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 AOPL 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.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key strengths

Experienced Promoters with long track of operations in the industry

Mr. Alerk Ashok Patel is a promoter of the company and has rich experience of more than 45 years in the industry, through previous entity AIMS Industries Limited for which demerger was done in 2017 and then AOPL started operations in 2017. Mr. Sanjay Mistry looks after manufacturing and overall operations of the business who has experience of more than 25 years in this industry. Another promoter, Mr. Anish Alerk Patel, son of Alerk Ashok Patel has more than 25 years of experience in this industry.

Satisfactory operating profitability

AOPL's profitability has remained healthy over last two years ended as FY22 in range of 14-19%. evidenced by PBILDT margin of 19.79% in FY22 (14.41% in FY21), mainly with decrease in selling expenses in FY22 mainly attributable to covid19 induced surge in demand for medical oxygen. Margins prior to that were low and volatile. Company has turned profitable in FY21 and the net profitability of the company increased significantly to 13.06% in FY22 from 3.65% in FY21 with reduction in interest expense in FY22. PBILDT margins are expected to moderate marginally and remain in range of 10-10.50% in upcoming years.

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. Etc.

Liquidity: Adequate

The liquidity of the company is adequate marked by moderate utilization of working capital limits of 65-70% for past 12 months ended December, 2022 and has enough cash accruals vis-a-vis scheduled repayments over next 3 years. Further operating cycle of company remains moderate between 35-50 days during past 4 years FY19-FY22. Furthermore, company has positive cash flow from operations of Rs. 3.56 cr at FY22 end (Rs.1.26 cr. at FY21 end). Company has repayment obligations in the range of Rs.0.95-1.25 crore for FY23-FY25, which are expected to be met comfortably from gross cash accruals.

Applicable criteria

Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Manufacturing Companies

About the company

Baroda (Gujarat) based AIMS Oxygen Private Limited (AOPL) was incorporated in January 1986 as a private limited company by Mr.Alerk Patel, Mr. Anish Patel and Mr Sanjay Kumar Mistry. AOPL has commenced its operations from October 2017 and is engaged into manufacturing of industrial and medical gases situated in Ahmedabad, Surat, Panelav and Rajkot. Company's promoters have 62 years of business experience in this Industry. It started with small separation plant and has grown to become a multi-branch filling and distribution entity in the state of Gujarat. It is manufacturer, supplier and wholesaler of Dissolved Acetylene Gas, Oxygen, Medical Oxygen, Argon, Nitrogen, Nitrous Oxide, Carbon Dioxide, Hydrogen, and a Mixture of Gases. Company is also in trading of various chemicals. for Food and Beverages, Fragrances, Personal Care, paint, ink and coatings and also trades allied equipments such as liquid cylinders, medical and industrial cylinders, Oxygen generator, cylinder valves and so on. Apart from this it also provides cylinders services which include cryogenic supply systems, associated engineering, construction, installation, training and maintenance. As on March 31, 2022, AOPL had total installed capacity of 5830 cylinders per day.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	7MFY23 (Prov.)
Total operating income	12.64	19.02	7.71
PBILDT	1.82	3.76	0.67
PAT	0.46	2.48	0.10
Overall gearing (times)	3.89	1.52	NA
Interest coverage (times)	2.35	6.65	2.48

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

Status of non-cooperation with previous CRA: None

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		-	-	-	4.00	CARE B+; Stable
Fund-based - LT-Term Loan		-	-	August 2029	6.00	CARE B+; Stable

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	4.00	CARE B+; Stable				
2	Fund-based - LT-Term Loan	LT	6.00	CARE B+; Stable				

*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 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 for any clarifications.

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About us:

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