INOXCVA®
HISTORICALLY FUTURISTIC

IIL:SEC:CRDRTG

Date: 2nd July, 2024

Corporate Relations Department BSE Limited 1st Floor, New Trading Ring Rotunda Building, P J Towers Dalal Street, Fort Mumbai – 400 001	The Manager Listing Department National Stock Exchange of India Ltd Exchange Plaza', C-1, Block G, Bandra – Kurla Complex, Bandra (E), Mumbai – 400 051
Scrip Code- 544046	Symbol: INOXINDIA

Sub: Disclosure of Material Event/Information under Regulation 30 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 – Credit Ratings for Banking Facilities by India Ratings & Research.

Dear Sir/Madam,

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligation and Disclosures Requirements) Regulations, 2015, please find the link of the Credit Rating published by India Ratings and Research on 2nd July, 2024.

Link : https://www.indiaratings.co.in/pressrelease/70685

As per the rating rationale, India Ratings and Research has revised outlook on INOX India's Bank Facilities to positive; Affirms AA-.

The Copy of the Ratings published by India Ratings and Research is enclosed herewith.

We request you to kindly take note of the same on record.

Thanking you,

For INOX INDIA LIMITED

KAMLESH MANSINGRAO SHINDE

Digitally signed by KAMLESH MANSINGRAO SHINDE
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Date: 2024.07.02 12:24:31 +05'30'

INOX INDIA LIMITED (Formerly INOX India Private Limited) BARODA

Kamlesh Shinde
Company Secretary & Compliance Officer

India Ratings Revises Outlook on Inox India’s Bank Facilities to Positive; Affirms ‘IND AA-’

Jul 02, 2024 | Other Electrical Equipment

India Ratings and Research (Ind-Ra) has taken the following rating actions on Inox India Limited’s (IIL) bank facilities:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/ Watch	Rating Action
Fund-based working capital limit	-	-	-	INR1,050	IND AA-/Positive/IND A1+	Affirmed; Outlook revised to Positive
Non-fund-based working capital limit	-	-	-	INR5,250	IND AA-/Positive/IND A1+	Affirmed; Outlook revised to Positive
Fund-based working capital limit	-	-	-	INR1,000	IND AA-/Positive/IND A1+	Assigned
Non-fund-based working capital limit	-	-	-	INR1,050	IND AA-/Positive/IND A1+	Assigned

Analytical Approach

Ind-Ra has fully consolidated IIL’s wholly-owned subsidiaries INOXCVA Europe B.V. and Inoxcva Comércio E Indústria De Equipamentos Criogênicos Ltda. to arrive at the ratings, on account of the strong operational and financial linkages among them.

Detailed Rationale of the Rating Action

The Positive Outlook reflects Ind-Ra’s expectation of steady growth in revenue and operating profitability in FY25 and FY26, driven by healthy inflow of orders, coupled with the commencement of commercial operations of enhanced capacity and increasing footprints in the international market while maintaining the credit metrics and liquidity.

The affirmation reflects IIL’s healthy business profile demonstrated by strong market position in the domestic market, robust orderbook, stable margins and return on capital employed, comfortable credit metrics and adequate liquidity.

List of Key Rating Drivers

Strengths

- Strong business risk profile; leader in domestic cryogenic storage industry
- Robust order book provides revenue visibility over medium term
- Steady operating performance in FY24; likely to improve further in medium term
- Robust financial risk profile
- Part of Inox Group

Weaknesses

- Moderately intensive working capital operations
- Competition in international market and related regulations

Detailed Description of Key Rating Drivers

Strong Business Risk Profile; Leader in Domestic Cryogenic Storage Industry: IIL is a domestic market leader in cryogenic storage equipment used for storing industrial gases with 60%-70% market share. Furthermore, the company's order book is geographically diversified with presence of marquee clients. It offers products to several end-user industries such as industrial gas, metals and mining, healthcare and life sciences, cement, cryo scientific research, electronics, fertilisers and chemicals, food and beverages, hydrogen, liquefied natural gas (LNG), refining and petrochemical, pharmaceuticals, power, and water and water treatment. IIL's segmental diversity enables it to mitigate a downcycle in any particular sector.

Robust Order Book Provides Revenue Visibility over Medium Term: As of March 2024, the company had an order book of INR10,868 million (0.96x of FY24 revenue), to be executed over the next 12-15 months. Domestic orders constituted around 48% of the order book and the balance was from the overseas markets. Furthermore, IIL's top 10 orders accounted for around 57% of the total order book. Segment-wise industrial gases accounted for 55% of the order book, followed by cryogenic scientific (25%) and LNG (20%). IIL derives revenue from over 50 countries with India (36%) and the US (14%) contributing more than 51% to the total revenue in FY24. Ind Ra xpects the company to grow steadily at around 15% in the core business of industrial gases and LNG.

The company had set up a new plant for the manufacturing of beer kegs, which are used in food and beverage industries to store beer and other liquid beverages, providing protection from ultraviolet light, pollutants and corrosion. The company has partnered with Supermonte Group to supply stainless steel returnable beverage kegs out of Italy and India. The beer kegs plant commenced operations in 4QFY24 and reported revenue of INR57 million in FY24. Ind-Ra expects healthy growth in the segment revenue to INR800 million-1,000 million in FY25. Furthermore, higher sales in the US market due to benefit from reduced tariffs on disposable cylinders versus competition is also likely to lead to growth in the overall revenue. Ind-Ra expects order inflow to remain healthy in the near-to-medium term backed by strong competitive position, geographical diversity and diversified product portfolio.

Steady Operating Performance in FY24; Likely to Improve Further in Medium Term: On a consolidated basis, revenue grew at a CAGR of about 13% to INR11,312 million over FY22-FY24 (FY24: up 15% yoy) supported by growth in the industrial gases segment coupled with traction in the LNG segment and product expansion with manufacturing of beer kegs. In FY24, the revenue grew on account of improved demand for cryogenic and LNG segments, and increased overseas demand. Ind-Ra expects the consolidated revenue to grow 15%-20% yoy in FY25, supported by the healthy order book, new product addition in cryo-bio segment and rebound in the LNG segment.

Furthermore, the company incurred capex of INR1,120 million in FY24 and is likely to incur capex of about INR1,500-1,600 million in FY25 to enhance its production capacity. Ind-Ra expects the successful commissioning of the production facility to augment revenue growth in the medium term.

The consolidated EBITDA margins have remained buoyant historically at 20%-23% (FY24: 22.1%; FY23: 21.1%; FY22: 21.1%) due to the ability to pass on the increase in raw material costs to customers due to the specialised nature of product portfolio, presence of high-margin orders from ITER Organization and customised product portfolio, and operating efficiency. The company has been able to maintain margins above 20%, despite significant volatility in its primary raw material (stainless steel) price by entering back-to-back contracts for procurement of stainless steel. The company reported the EBITDA of INR2,503 million in FY24 (FY23: INR2,119 million; FY22: INR1,738 million). Ind-Ra expects the EBITDA margins to remain at 20%-23% in the near-to-medium term, due to the presence of higher margins orders and pricing flexibility.

Robust Financial Risk Profile: IIL has a robust financial risk profile marked by low debt levels, absence of long-term debt, strong liquidity position and consistent improvement in operating performance. As a result, the credit metrics, on a consolidated level, were robust with interest coverage (EBITDA/gross interest expense) of 44.14x in FY24 (FY23: 66.1x; FY22: 71.4x). The company has remained net cash positive since FY21. Ind-Ra expects IIL's financial risk profile to remain robust in the near-to-medium term, supported by sustenance of operating performance, low debt levels, strong cash flow generation and absence of any major debt-funded capex plan.

Part of Inox Group: IIL is part of the reorganised Inox Group which comprises of other entities of Inox Group i.e Inox Air Products Private Limited and Inox Leisure Limited. The company benefits from managerial and financial support on need basis, from the group. Historically, Inox group has supported IIL partially for buyback of stake held by Standard Chartered Private Equity, which fully exited the company in FY17 and in the form of extension of corporate guarantees of INR2,400 million.

Moderately Intensive Working Capital Operations: The company's operations are moderately working capital intensive with gross working capital accounting for 55% of the revenue in FY24 (FY23: 67%; FY22: 53%). The net working capital cycle as a percentage of revenue extended marginally to 23% in FY24 (FY23:17%; FY22: 20%), due to a reduction in customer advance on account of increased order inflow from cryogenic scientific division and changed order mix. The working capital cycle is primarily long due to high inventory levels maintained in the form of raw materials and semi-finished goods, although supported by advance received from customers. Further, Ind-Ra draws comfort from availability of liquidity in the form of unutilised working capital limits and liquid cash surplus.

Competition in International Market and Related Regulations: The company plans to expand its international sales as part of its growth strategy, which faces competition from the entrenched global players. The company is gradually increasing its footprints in the international market and the zero anti-dumping duty on the disposable cylinder in the US market will further support the company in enhancing its presence. The company provides a warranty of one and a half years against any defect in the product for which provisions are being made on an annual basis. Actual expense incurred has historically been lower than provisions. Further, as indicated by the management, the company has taken an insurance coverage of INR920 million against any third-party claims. Ind-Ra believes the company will have sufficient coverage against any claims, however, any unexpected liability arising from product quality/execution issues, especially in view of the overseas expansion, which adversely impacts the credit and liquidity profile of the company will be key monitorable.

Liquidity

Adequate: IIL had cash and cash equivalents of INR2,462 million at FYE24. The company's average utilisation of the fund-based working capital limit was 12% and non-fund-based limits was 28% over the 12 months ended April 2024. Furthermore, it does not have any scheduled repayments due to the absence of long-term debt on its books. The capex of INR1,500 million-1,600million for the manufacturing of beer kegs and expansion of capacity of cryogenic storage tank will be entirely funded through internal accruals. Ind-Ra expects the company to maintain a consistent dividend policy but with no plans to take on additional debt, the liquidity is likely to remain adequate over the medium term.

Rating Sensitivities

Positive: A substantial increase in the EBITDA to around INR3,500 million, with successful execution of growth plans while managing risks from overseas expansion and maintaining the net leverage below 1.0x on a sustained basis, could lead to a positive rating action.

Negative: Deterioration in profitability with reduced visibility of EBITDA reaching INR3,500 million and the net leverage exceeding 1.0x due to an unexpected debt-led capex, and/or working capital lockup, and/or unforeseen liabilities; all on a sustained basis, could lead to the Outlook revision back to Stable.

Any Other Information

Standalone Performance: On a standalone basis, the revenue was INR10,849 million in FY24 (FY23: INR9,496 million), EBITDA margin was 21.75% (21.58%) and interest coverage was 43.98x (60.96x).

About the Company

Incorporated in 1996, IIL is a part of the restructured Inox group. The company manufactures cryogenic liquid storage and transport tanks, and related products of 100-1,000 kilolitres. In the LNG segment, the company caters to industrial applications, mini-LNG infrastructure, high horsepower, among others.

Key Financials Indicators

Particulars (Consolidated)	FY24	FY23
Revenue (INR million)	11,312	9,659
EBITDA (INR million)	2,503	2,044
EBITDA margin (%)	22.13	21.16
Total debt (INR million)	48.73	-
Interest coverage (x)	44.14	66.1
Net leverage (x)	NM	NM
Source: IIL, Ind-Ra NM = not meaningful		

Particulars (Standalone)	FY24	FY23
Revenue (INR million)	10,849	9,496
EBITDA (INR million)	2,360	2,049
EBITDA margin (%)	21.75	21.58
Total debt (INR million)	48.73	-
Interest coverage (x)	43.98	60.96
Net leverage (x)	NM	NM
Source: IIL, Ind-Ra NM: not meaningful		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook		
	Rating Type	Rated Limits (million)	Rating	20 October 2023	2 August 2023	4 July 2022
Issuer rating	Long-term	-	-	WD	IND AA-/Stable	IND AA-/Stable
Fund-based limits	Long-term/ Short-term	INR2,050	IND AA-/Positive/IND A1+	-	IND AA-/Stable/IND A1+	IND AA-/Stable/IND A1+
Non-fund-based limits	Long-term/ Short-term	INR6,300	IND AA-/Positive/IND A1+	-	IND AA-/Stable/IND A1+	IND AA-/Stable/IND A1+

Bank wise Facilities Details

Click here to see the details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Fund-based working capital limits	Low
Non-fund-based working capital limits	Low

For details on the complexity level of the instruments, please visit www.indiaratings.co.in/complexity-indicators.

APPLICABLE CRITERIA

Evaluating Corporate Governance

Short-Term Ratings Criteria for Non-Financial Corporates

Corporate Rating Methodology

The Rating Process

Contact

Primary Analyst
Laxmi Mathpal
Senior Analyst
India Ratings and Research Pvt Ltd
DLF Epitome, Level 16, Building No. 5, Tower B DLF Cyber City, Gurugram Haryana - 122002
+91 124 6687211
For queries, please contact: infogrp@indiaratings.co.in

Secondary Analyst
Pritha Preshi Sharma
Associate Director
+91 22 40001770

Media Relation
Ameya Bodkhe
Marketing Manager
+91 22 40356121

About India Ratings and Research: India Ratings and Research (Ind-Ra) is committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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For more information, visit www.indiaratings.co.in.

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