Rating Update

June 17, 2025 | Mumbai

Ellenbarrie Industrial Gases Limited

Update as on June 17, 2025

This update is provided in continuation of the rating rational below.

The key rating sensitivity factors for the rating include:

Upward Factors:

- Sizeable growth in sales volume and operating margin sustained around 25%, leading to higher-than-expected cash accrual.
- Timely completion of ongoing capex resulting in improved market position and financial flexibility.
- Efficient working capital management and lower external liabilities leading to ratio of net debt to earnings before interest, taxes, depreciation, and amortisation remaining below 1 time.

Downward Factors:

- Decline in revenue or in operating margin resulting in net cash accrual below Rs 45 crore.
- Large, debt-funded capex or substantial increase in working capital requirement weakening the capital structure.
- Investments in non-core assets constraining the liquidity position.

Crisil Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, Crisil Ratings seeks regular updates from companies on the business and financial performance. Crisil Ratings is, however, awaiting adequate information from Ellenbarrie Industrial Gases Limited (EIGL) which will enable us to carry out the rating review. Crisil Ratings will continue provide updates on relevant developments from time to time on this credit.

Crisil Ratings also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria ‘Information Availability Risk in Credit Ratings’.

About the Company

Incorporated in 1973 and promoted by Mr Shanti Prasad Agarwala, Mr Padam Agarwala and Mr Varun Agarwal, EIGL manufactures industrial gases such as oxygen, nitrogen, argon, and mixtures of gases in bulk and packaged form. The company has manufacturing facilities at Kalyani, Panagarh, Uluberia and Kharagpur in West Bengal, Parwada and Kurnool in Andhra Pradesh and Jadcherla in Telangana.

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Rating Rationale

March 27, 2024 | Mumbai

Ellenbarrie Industrial Gases Limited

'CRISIL A-/Stable/CRISIL A2+' assigned to Bank Debt

Rating Action

Total Bank Loan Facilities Rated	**Rs.50 Crore**
Long Term Rating	**CRISIL A-/Stable (Assigned)**
Short Term Rating	**CRISIL A2+ (Assigned)**

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed rationale

CRISIL Ratings has assigned its **'CRISIL A-/Stable/CRISIL A2+'** ratings to the bank facilities of Ellenbarrie Industrial Gases Ltd (EIGL).

The ratings reflect the extensive experience of the promoters, company's established market position in the industrial gases segment, its sound operating efficiency, diverse revenue profile and comfortable financial risk profile. These strengths are partially offset by large capital requirement, exposure to risks associated with the ongoing capital expenditure (capex) and susceptibility to the risks inherent in the commoditized industrial gases industry.

Key rating drivers and detailed description

Strengths:

- **Extensive experience of the promoters and established market position:** Established in 1976 by Mr. Shanti Prasad Agarwala, EIGL has demonstrated a track record of about five decades of operations in the industrial gases industry. The founder has been ably joined by his family over the years. The promoters have developed a strong understanding of the market dynamics, and the company has established its position in a niche segment. EIGL has presence in three states in India through its air separation units (ASUs) and cylinder filling stations. The revenue is estimated at Rs 207 crore for the first nine months of fiscal 2024 and is poised to cross Rs 250 crore for the full fiscal, marked by more than 15% growth on-year. The promoters' extensive experience will be instrumental for timely completion of the capacity expansion across West Bengal and Andhra Pradesh over fiscals 2023-2026 and for stabilization of operations. The expansion will drive revenue growth and strengthen the company's market position over the medium term.

- **Sound operating efficiency and diverse revenue profile**: EIGL posted healthy operating margin of 24-33% over the four fiscals through 2023. The margin is estimated over 25% for the first nine months of fiscal 2024 and is expected at a similar level over the medium term, supported by the company's diverse revenue streams, with higher share of merchant revenue, steady cash flow from the onsite segment, efficient distribution, and expanding geographical presence. The company derives most of the revenue from the pharmaceutical and iron & steel industries, and the remaining from diverse sectors including automotive, chemicals, and food & beverage. Prudent risk management policies will help sustain return on capital employed at 12-13% over the medium term.

- **Comfortable financial risk profile:** The capital structure has been comfortable despite contraction of term debt of around Rs 278 crore during fiscals 2023-2026 and incremental working capital borrowing, supported by healthy networth of Rs 338 crore as on March 31, 2023. The networth is expected to be around Rs 380 crore as on March 31, 2024. Gearing and total outside liabilities to adjusted networth ratios are expected to remain below 1 time over the medium term. Debt protection metrics have also been comfortable due to healthy profitability. The interest coverage and net cash accrual to adjusted debt ratios are expected to be over 5 times and 0.3 time, respectively, for fiscal 2024. Prudent working capital management, healthy accretion to reserves and steady profitability are critical for sustenance of the financial risk profile.

Weaknesses:

- **Large capital requirement and exposure to risks associated with ongoing capex:** The industrial gases industry is highly capital intensive, involving large capex, and long gestation and payback periods. These factors could have an adverse impact if the implementation of onsite projects or large capacity addition in the merchant segment were to coincide with a downturn in the industry. EIGL has undertaken capex (over fiscals 2023 to 2026) for expansion of capacity at its existing ASUs and to set up a new onsite ASU for Jai Raj Ispat Ltd in Andhra Pradesh with a minimum guaranteed offtake. The total capex of over Rs 385 crore is being funded in a debt-to-equity ratio of ~2.6 times. Post the capex, the company's merchant sales capacity is expected to increase to 963 tonne per day (TPD) and onsite ASU capacity is expected to increase to 625 TPD. While the onsite ASUs provide some revenue visibility in the form of fixed lease charges and operations and maintenance (O&M) charges, the timely stabilization of operations, maintenance of the units and steady demand for merchant sales are crucial for sustained profitability and healthy cash accrual.

- **Exposure to risks inherent in the commoditized industrial gases industry:** The domestic industrial gases industry is intensely competitive because of the commoditized products. This has led to consolidation in the industry with some large players merging. EIGL must compete with both organized (other international players present in the Indian market) and unorganized players. The inherent cyclicality in end-user segments exposes the company to sluggish growth during economic downturns. The company derives sizeable revenue from the steel and metal sector, which is highly volatile, though the take-or-pay nature of contracts provides some protection.

Liquidity: Adequate
Net cash accrual is expected to be over Rs 55 crore against debt obligation of less than Rs 23 crore over the medium term and will cushion liquidity. Bank limit utilization was moderate, averaging 74% for the 12 months through February 2024. The current ratio was adequate at 1.48 times on March 31, 2023. Investments in mutual funds, bonds and alternate investment funds stood over Rs 140 crore as on January 31, 2024. Healthy networth provides the financial flexibility to withstand adverse conditions or downturn in the business.

Outlook: Stable
CRISIL Ratings believes EIGL will continue to benefit from the extensive experience of its promoters and its established market position.

Rating sensitivity factors
Upward factors
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Downward factors
- Decline in revenue or in operating margin resulting in net cash accrual below Rs 45 crore.
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Key financial indicators

As on / for the period ended March 31		2023	2022
Operating income	Rs crore	217.05	246.89
Reported profit after tax	Rs crore	35.77	44.20
PAT margin	%	16.48	17.90
Adjusted debt/adjusted Networth	Times	0.30	0.04
Interest coverage	Times	17.76	18.87

Any other information: Not applicable

Note on complexity levels of the rated instrument:
CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity level	Rating assigned with outlook
NA	Bank guarantee	NA	NA	NA	25	NA	CRISIL A2+
NA	Cash credit	NA	NA	NA	25	NA	CRISIL A-/Stable

Annexure - Rating History for last 3 Years

	Current			2024 (History)		2023		2022		2021		Start of 2021
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	25.0	CRISIL A-/Stable		--		--		--		--	--
Non-Fund Based Facilities	ST	25.0	CRISIL A2+		--		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	25	HDFC Bank Limited	CRISIL A2+
Cash Credit	25	HDFC Bank Limited	CRISIL A-/Stable

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufaturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Criteria for rating short term debt

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