Press Release
REFEX INDUSTRIES LIMITED
January 17, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	45.00	ACUITE BBB+ | Stable | Assigned	-
Bank Loan Ratings	50.00	ACUITE BBB+ | Stable | Reaffirmed	-
Bank Loan Ratings	50.00	-	ACUITE A2 | Reaffirmed
Total Outstanding Quantum (Rs. Cr)	145.00	-	-

Rating Rationale

Acuité has reaffirmed its long term rating of **'ACUITE BBB+' (read as ACUITE t riple B plus)** and short term rating of **'ACUITE A2' (read as ACUITE A two)** on the Rs.100.00 Cr bank facilities of Refex Industries Limited (RIL). The outlook is **'Stable'.**

Acuité has assigned its long term rating of **'ACUITE BBB+' (read as ACUITE t riple B plus)** on the Rs.45.00 Cr bank facilities of Refex Industries Limited (RIL). The outlook is **'Stable'.**

Rationale for the rating

The rating takes into account the improved operating performance and healthy financial profile of RIL. The operating income of company has been consistently growing since the last two years from FY2023 and same being sustained during the first 6 months of FY2024. The Company's revenue stood at Rs.1629.15 Cr in FY2023 as against Rs. 443.96 Cr in FY2022. The improvement is on account of both improved volumes as well as realizations. During the current year the company has already achieved revenue of Rs.703.74 Cr till September 2023. The operating margins ranged between 13.08-10.75 percent for the last two years ended FY2023. The financial risk profile of group continues to be healthy with healthy debt protection metrics and minimal gearing. The overall gearing of the Company stood at 0.26 times as on March 31, 2023 as against 0.08 times as on March 31, 2022. The interest coverage ratio stood at 9.41 times in FY2023 as against 7.94 times in FY2022.

The rating continues to derive strength from the extensive experience of the promoters, healthy financial risk profile with healthy debt protection metrics. The rating is constrained by working capital intensive operations.

About the Company

Refex Industries Limited (RIL) was incorporated in 2002 in Chennai, Tamil Nadu. RIL is primarily into Coal Trading to power plants and Coal Handling Services and re-filler of Refrigerant gases in India. RIL has also forayed into the logistic services to power plants such as Handling and Disposal of Fly Ash, crushing of uncrushed coal . Besides, RIL also operates a 5.18 Mega Watt (MW) Solar Power Plant at Vituza village, Barmer, Rajasthan. RIL is a publicly listed company and is promoted by Mr. Anil Jain and Sherisha Technology Private Limited.

Unsupported Rating

Not applicable

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of RIL to arrive at the rating

Key Rating Drivers

Strengths

- **Promoters' extensive experience in industry; Established regional player in Chhattisgarh**

  RIL is promoted by Mr. Anil Jain and his family members. Mr. Jain has been associated with RIL since its inception; this has helped RIL to establish strong market presence in the state of Chhattisgarh, Maharashtra and Tamil Nadu. Mr. Jain has over 23 years of experience in heading various business operations and is actively involved with various trade bodies such as The Associated Chambers of Commerce and Industry in India (ASSOCHAM) and the National Solar Energy Federation of India (NSEFI). Mr. Jain looks after the day -to-day operations of RIL and is assisted by team of experienced professionals down the line. RIL's operations are divided into 5 business segments i.e. Coal business, Ash Handling, Refrigerant gases, Sale of services and Solar Power. The revenue mix in FY2023 of RIL consists of revenue from Coal Handling & trading of Rs. 1142.39 (70 percent), Ash Handling of Rs.144.03 Cr (8.84 percent), Refrigerant Gas of Rs.410.47 Cr (3.95 percent), Sales of Service of Rs.68.04 Cr (4.17 percent) Solar energy of Rs.11.53 Cr (0.71 percent) Module trading Rs.11.24Cr(0.69 percent) and power trading Rs.187.55 Cr (11.51 percent) . Acuité believes that RIL will continue to derive benefits from its promoter's experience, its established presence and diversified geographical coverage and business segments providing moderate revenue visibility in medium term.

- **Augmentation in business risk profile**

  The operating income in FY2023 stood at Rs. 1629.15 Cr with YOY growth of 266.96 percent as compared to previous year FY2022 (Rs. 443.96 Cr). Revenues have improved primarily due to increased volumes and realisations for the coal division. Additionally, in FY2023, RIL entered a new market: power trading. The company recorded Rs. 727.96 Cr till H1 of FY2024. The operating margins ranged between 13.08-10.75 percent for the last two years ended FY2023. The orders received by the company are rotating in nature with new orders being added and delivered on a continuous basis. Going forward, Acuité believes that the operating income and profitability of the company will sustain at a healthy level backed by steady demand and better price realisation.

- **Healthy Financial risk profile**

  RIL's financial risk profile is healthy, marked by a healthy net worth and gearing along with healthy debt protection metrics. The net worth of the company stood at Rs.314.35 Cr and Rs.183.98 Cr as on March 31, 2023 and 2022 respectively. The improvement is on account of healthy accretion of net profit in the reserves and infused equity share capital of Rs. 14.37 Cr . The gearing of the company stood at 0.26 times as on March 31, 2023 as against 0.08 times as on March 31, 2022. RIL'S debt protection metrics is healthy marked by– Interest coverage ratio and debt service coverage ratio stood at 9.41 times and 7.94 times as on March 31, 2023 respectively as against 7.94 times and 6.31 times as on March 31, 2022 respectively. TOL/TNW stood at 1.39 times and 1.06 times as on March 31, 2023 and 2021 respectively. The debt to EBITDA of the company stood at 0.45 times as on March 31, 2023 as against 0.20 times as on March 31, 2022. Acuité expects the financial risk profile to remain healthy over the medium to long term period on account of healthy capital structure and stable operations of RIL.

Weaknesses

- **Intensive working capital cycle**

The company has an intensive working capital cycle marked by Gross current assets (GCA) days at 118 days as on March 31, 2023 as against 175 days as on March 31, 2022. however there has been improvement in FY2023 as compared to FY2022. The GCA days are improved on account of improvement in debtor days and GCA days are also marked by intercorporate deposit extended towards group company "Sherisha Technology Private Limited" of amount Rs.46.59 and Rs.6.20 Cr for Reveuse Fashions and Lifestyle Pvt Ltd . However Rs. 6.20 Cr was repaid to RIL in September 2023. Inventory days stood at 3 days as on March 31, 2023 as against 7 days as on March 31, 2022. Subsequently, the payable period stood at 49 days as on March 31, 2023 as against 80 days as on March 31, 2022 respectively. The debtors day stood at 55 days as on March 31, 2023 as against 96 days as on March 31, 2022. The stretch in debtors because change in credit terms with the customers. Further, the average bank limit utilization in the last six months ended November, 23 remained at ~26 percent for fund based and 71 percent for non-fund based facilities.

- **Presence of high counterparty risk in the revenue profile**

  RIL is engaged in various segments such as Coal trading, Ash Handling, Refrigerant gases and sale of services leading to diversified customer profile. However, it can be observed that the top 10 customers are contributing nearly 80-87 per cent to the total sales in FY2023. KSK Mahanadi Power Company Limited, one of the major customer of RIL has been contributing more than 51 per cent of the total sales in the same period, thereby depicting high customer concentration risk in revenue profile. It is observed that certain customer of RIL are currently financially stressed, which poses a threat of delayed payments and/or cancellations of work orders. RIL mitigates such cancelations by means of clauses and notice periods in the work orders, yet there is still a heavy dependency on each of respective thermal power plants. Acuité believes that there exists high counterparty risk in the revenue profile of the company. However, the risk of concentration is mitigated to an extent on account of long standing relationship of the company and promoters with its major customers. RIL's management is aiming for strategic corporate strategy to diversify its customer base both by party wise and geographical wise.

- **Presence of intense competition in the sector; impact of change in regulations**

  As per the present Import policy, coal can be freely imported under the Open General License by the consumers themselves considering their needs based on their commercial prudence, thus enabling entry of many players into the sector and leading to intense competition as evident from the low profitability margins. Acuité believes that any change in regulations and policies could have an impact on the business risk profile of the RIL.

Rating Sensitivities

- Scaling up of operation while maintain the profitability margin and capital structure.
- Elongation of Working capital cycle

Liquidity Position: Adequate

RIL's liquidity is healthy marked by healthy generation of net cash accruals in FY2023 to its maturing debt obligations. RIL has generated cash accruals in the range of Rs.122.96 Cr in FY2023 as against Rs. 0.87 Cr long term debt obligations for the same period. The current ratio stood at 1.24 times as on March,31 2023 against 1.16 in previous year. RIL maintained unencumbered cash and bank balances of Rs.10.97 Cr as on March 31 2023. Further, RIL has deposit with bank of Rs.0.70 Cr. Acuité believes that the liquidity of RIL to remain healthy on account of stable scale of operations and healthy capital structure. RIL is expected to generate adequate NCAs in the range of Rs.147-183 Cr. against CPLTD of Rs.6.66-Rs.16.12 Cr over the medium term.

Outlook: Stable

Acuité believes that RIL rating will maintain a 'Stable' outlook over the medium term on account of long track record of operations and experienced management in the industry. The outlook may be revised to 'Positive' if RIL registers sustainable improvement in work execution, realization in trading leading to higher-than-expected revenues and profitability with improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case RIL registers lower-than expected revenues and profitability or any significant delays from the counterparties resulting in stretch in its working capital management or larger thanexpected debt- funded capital expenditure leading to deterioration of its financial risk profile and liquidity.

Other Factors affecting Rating
None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	1629.15	443.96
PAT	Rs. Cr.	116.06	45.39
PAT Margin	(%)	7.12	10.22
Total Debt/Tangible Net Worth	Times	0.26	0.08
PBDIT/Interest	Times	9.41	7.94

Status of non-cooperation with previous CRA (if applicable)

Not applicable

Any other information

None

Applicable Criteria

• Default Recognition :- https://www.acuite.in/view-rating-criteria-52.htm
• Trading Entitie: https://www.acuite.in/view-rating-criteria-61.htm
• Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Apr 2023	Letter of Credit	Short Term	25.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB+ | Stable (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE BBB+ | Stable (Assigned)
	Proposed Long Term Loan	Long Term	5.00	ACUITE BBB+ | Stable (Assigned)
	Letter of Credit	Short Term	25.00	ACUITE A2 (Assigned)
19 Jan 2022	Letter of Credit	Short Term	25.00	ACUITE A2 (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BBB+ | Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB+ | Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE BBB+ | Stable | Reaffirmed
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A2 | Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	3.30	ACUITE BBB+ | Stable | Assigned
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	02 Mar 2030	Simple	41.70	ACUITE BBB+ | Stable | Assigned
HDFC Bank Ltd	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	Simple	25.00	ACUITE BBB+ | Stable | Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.