



Press Release
Refex Industries Limited
October 24, 2024
Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE A- Stable Assigned	-
Bank Loan Ratings	95.00	ACUITE A- Stable Upgraded	-
Bank Loan Ratings	85.00	-	ACUITE A2+ Assigned
Bank Loan Ratings	50.00	-	ACUITE A2+ Upgraded
Total Outstanding Quantum (Rs. Cr)	250.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded its long term rating to ‘**ACUITE A-**’ (read as **ACUITE A Minus**) from ‘**ACUITE BBB+**’ (read as **ACUITE triple B plus**) and short term rating to ‘**ACUITE A2+**’ (read as **ACUITE A two plus**) from ‘**ACUITE A2**’ (read as **ACUITE A two**) on the Rs.145.00 Cr. bank facilities of Refex Industries Limited (RIL). The outlook is ‘**Stable**’.

Acuite has assigned its long term rating of ‘**ACUITE A-**’ (read as **ACUITE A Minus**) and short term rating of ‘**ACUITE A2+**’ (read as **ACUITE A two plus**) on the Rs.105.00 Cr. bank facilities of Refex Industries Limited (RIL). The outlook is ‘**Stable**’.

Rationale for upgrade:

The rating upgrade takes into account the improvement in scale of operations in Q1 of FY2025, and the same is expected to continue for the entire year FY2025. The company’s earning profile (operating income and absolute EBTIDA and PAT) has experienced a CAGR of 30 percent over the past four years ending in FY2024 backed by improvement in volumes and realizations. Further, the rating is supported by the equity infusion of Rs. 1147.81 Cr. (FY2024, FY2025, FY2026) by non-promoters and promoters on a preferential basis, which has further strengthened the capital structure, liquidity profile, and financial risk profile of the company. The operating margins ranged between 10.75 and 10.86 percent for the last two years ended FY2024. It also considers the healthy orderbook position as of September 2024, which stood at Rs. 1921.40 crore. The rating continues to derive strength from the promoters’ extensive experience in industry.

However, the rating is constrained by working capital intensive operations and presence of intense competition in the sector; impact of change in regulations.

About the Company

Refex Industries Limited (RIL) was incorporated in 2002 in Chennai, Tamil Nadu. RIL is primarily into coal trading to power plants, coal handling services, and refillery of refrigerant gases in India. RIL has also forayed into the logistic services to power plants, such as handling and disposal of fly ash and crushing of uncrushed coal. Besides, RIL also operates a 5.18 megawatt (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. The current directors of the company are Mr. Anil Jain, Mr. Dinesh Kumar Agarwal, Mr. Siripurapu Susmitha, Mr. Sivaramakrishnan Vasudevan, and Ms. Latha Venkatesh.

Unsupported Rating

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 FY2024 of RIL consists of revenue from Coal, ash Handling & trading of Rs. 945.58 Cr. (69 percent), Refrigerant Gas of Rs.72.31 Cr. (5.28 percent), Sales of Service of Rs.55.64 Cr. (4.06 percent) Solar energy of Rs.10.36 Cr. (0.76 percent) Module trading Rs.5.77 Cr. (0.42 percent) and power trading Rs.280.90 Cr. (20.05 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.

- **Moderate scale of operations :**

The operating income of RIL in FY2024 stood at Rs. 1370.56 Cr. with de-growth of 15.87 percent as compared to previous year FY2023 Rs. 1629.15 Cr. The deterioration in the revenues is mainly on account of lower realizations for coal trading segment in FY2024 (i.e, Fluctuation in coal prices, witnessed a downward price correction in the wake of sluggish market conditions and ample inventory level, disrupting the supply/demand equilibrium) for coal trading segment in FY2024. Nevertheless, company has shown significant improvement in terms of volume(Quantity) in coal & ash segment which can be observed in Q1 of FY2025. The company recorded Rs. 589.52 Cr. till Q1 of FY2025. The operating margin of the company stood stable since last two years ended FY2024, which stood at 10.86 percent in FY2024 against 10.75 percent in 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 growth in volumes on account of 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. 472.61 Cr. and Rs. 314.35 Cr. as on March 31, 2024, and 2023, respectively. The improvement is on account of the healthy accretion of net profit in the reserves and infused equity share capital (Premium) of Rs. 62.50 Cr. In current year (FY2025), the promoter company i.e, Sherisha Technologies private limited has infused capital of Rs. 62.50 Cr. in the company by converting 50,00,000 warrants out of 1,25,75,000 warrants and the balance 75,75,000 warrants will be converted within the prescribed timeline. Further, the company is in the process of raising Rs. 927.81 Cr. (equity shares and warrants) pursuant to the board approval obtained on October 03, 2024 and subject to approval of shareholders in the ensuing extra-ordinary general meeting scheduled to be held on October 26, 2024, out of which Rs. 532-535 Cr. is expected to be infused in FY2025 and remaining amount in FY2026. The net worth of the company is expected to improve to Rs.1285.18 Cr. in FY2025. The gearing of the company stood at 0.20 times as on March 31, 2024, as against 0.26 times as on March 31, 2023. RIL's debt protection metrics is healthy, marked by Interest coverage ratio and debt service coverage ratio stood at 6.32 times and 3.20 times as on March 31, 2024, respectively, as against 9.41 times and 7.05 times as on March 31, 2023, respectively. TOL/TNW stood at 0.58 times and 1.39 times as on March 31, 2024, and 2023, respectively. The debt to EBITDA of the company stood at 0.58 times as on March 31, 2024, as against 0.45 times as on March 31, 2023. Acuité expects the financial risk profile to remain healthy over the medium- to long-term period on account of the 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 132 days in FY2024 as against 116 days in FY2023. There is slight deterioration in GCA days in FY2024; the deterioration is on account of increase in debtor days, however sales are concentrated towards the end of March 2024, with more than 67 percent of debtors pertaining to March 2024, resulting in elevated working capital indicators as on year ending dates. However, the amount is immediately realized in the month of April 2024. GCA days are also marked by an intercorporate deposit extended towards group company “Sherisha Technologies Private Limited” of Rs. 46.59 Cr. and Rs. 14 Cr. for Refex Green Mobility Limited. However, Rs. 46.59 Cr. was repaid to RIL in August 2024. Inventory days stood at 2 days in FY2024 as against 3 days in FY2023. Subsequently, the payable period stood at 16 days in FY2024 as against 49 days in FY2023, respectively. The debtor day stood at 81 days in FY2024 as against 55 days in FY2023. The stretch in debtors because of no due amount. Further, the average bank limit utilization in the last six months ended September, 24 remained at ~52 percent for fund-based facilities.

- **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 the 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 maintaining the profitability margin and capital structure.
- Timely issuance of share warrants.
- Elongation of Working capital cycle

Liquidity Position: Adequate

RIL's liquidity is adequate marked by healthy generation of net cash accruals in FY2024 to its maturing debt obligations. RIL has generated cash accruals in the range of Rs.109.75 Cr. in FY2024 as against Rs. 16.12 Cr. long term debt obligations for the same period. The current ratio stood at 2.58 times as on March,31 2024 against 1.42 times in previous year. RIL maintained unencumbered cash and bank balances of Rs.0.40 Cr. as on March 31 2024. RIL is expected to generate adequate NCAs in the range of Rs.124-165 Cr. against CPLTD of Rs.8.92-Rs.17.89 Cr. over the medium term. Further, the average bank limit utilization in the last six months ended September, 24 remained at ~52 percent for fund-based facilities. Acuité believes that the liquidity of RIL to remain healthy on account of stable scale of operations and healthy capital structure.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	1370.56	1629.15
PAT	Rs. Cr.	100.95	116.06
PAT Margin	(%)	7.37	7.12
Total Debt/Tangible Net Worth	Times	0.20	0.26
PBDIT/Interest	Times	6.32	9.41

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>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.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. Acuité'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
17 Jan 2024	Letter of Credit	Short Term	50.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE BBB+ Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	25.00	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	41.70	ACUITE BBB+ Stable (Assigned)
	Proposed Long Term Loan	Long Term	3.30	ACUITE BBB+ Stable (Assigned)
04 Apr 2023	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 (Reaffirmed)
	Letter of Credit	Short Term	25.00	ACUITE A2 (Assigned)
19 Jan 2022	Cash Credit	Long Term	5.00	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BBB+ Stable (Assigned)
	Letter of Credit	Short Term	25.00	ACUITE A2 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE A- Stable Upgraded (from ACUITE BBB+)
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.91	Simple	ACUITE A- Stable Upgraded (from ACUITE BBB+)
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.09	Simple	ACUITE A- Stable Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	50.00	Simple	ACUITE A2+ Upgraded (from ACUITE A2)
Union Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	85.00	Simple	ACUITE A2+ Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.70	Simple	ACUITE A- Stable Upgraded (from ACUITE BBB+)
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	02 Mar 2030	38.39	Simple	ACUITE A- Stable Upgraded (from ACUITE BBB+)
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2028	9.91	Simple	ACUITE A- Stable Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE A- Stable Upgraded (from ACUITE BBB+)

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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.

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