May 31, 2024

Rinac India Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term- Fund based -Cash credit	9.50	9.50	[ICRA]BBB (Stable); reaffirmed
Short term - Non-fund based facility	30.00	46.00	[ICRA]A3+; reaffirmed/assigned for enhanced amount
Total	**39.50**	**55.50**	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation factors in Rinac India Limited's (Rinac/the company) established track record in the cold chain industry and the significant experience of its promoters. The ratings favourably take into account Rinac's comfortable order book of more than Rs. 700 crore as on date (i.e. 1.45 times of FY2024 revenues) along with the healthy order inflows, providing near-to-medium-term revenue visibility. Moreover, a reputed and diversified clientele base and the low customer and geographical concentration provide comfort. Further, the ratings consider its comfortable credit profile, evident from the low debt and comfortable coverage metrics. The company's operating profitability, however, remains range-bound at 4-5%, being exposed to the adverse fluctuation in raw material prices as most of the contracts are fixed price in nature.

The ratings continue to be constrained by Rinac's exposure to intense competition from established domestic players. The company remains dependent on sizeable credit from suppliers as well as advances from customers. Though this has resulted in very low working capital intensity, it has kept the TOL/TNW high in the light of a moderate net worth position. ICRA takes note of an ongoing dispute between the promoters of Rinac and Metmin Investments Holdings Limited, an investor, regarding an exit opportunity for the latter. The resolution of the ongoing dispute remains critical for a smooth business functioning.

The Stable outlook on the [ICRA]BBB rating reflects ICRA's opinion that Rinac will be able to generate comfortable cash flows, supported by its healthy order book and the investment plans of its end-user industries such as pharmaceutical and dairy and food processing. Also, the company will continue to benefit from its established track record in the cold chain business.

Key rating drivers and their description

Credit strengths

Experience of promoters in cold chain industry – Rinac, with a track record of over 25 years, has emerged as a cold chain solution provider and its product portfolio includes prefabricated sandwiched panels (PUF) and refrigeration and allied equipment, such as individually quick-frozen freezers (IQFs), preserva (walk-in refrigerator), chillkarts (truck with refrigeration body), blast freezers and other industrial refrigeration units. The promoters have experience of over 40 years in the refrigeration and air conditioning industry.

Low customer and geographical concentration – The company has a diversified customer base belonging to the FMCG, seafood, dairy, pharmaceutical and agro-commodities sectors. Many of these customers are established players in their own sectors, which lends comfort. The top 10 customers contributed to ~32% of the revenue in FY2024 against 30% in FY2023. Further, with the manufacturing spread across Karnataka and Maharashtra, it is able to serve customers across various states, leading to geographical diversification.

Comfortable capital structure and debt protection metrics – The company's capital structure remained comfortable with only promoter loan of Rs. 4.5 crore and working capital borrowings of around Rs. 7 crore as on March 31, 2024. The debt coverage indicators continued to be comfortable in FY2024 with no term loan repayment obligation, reflected in an estimated interest coverage of 9.7 times and DSCR of 8.2 times. However, the TOL/TNW remains high, mainly due to the long credit from suppliers and customer advances. Additionally, the company has high dependence on non-fund based limits on account of BG requirements for bidding new orders. Going forward, the capital structure is expected to remain comfortable with limited dependence on external borrowings.

Healthy order book – In FY2024, the company recorded revenues of over more than Rs. 475 crore (as per provisional financial statements shared) and expects to report 25% growth in FY2025 with a comfortable order book of Rs. 403 crore as of March 2024, lending visibility over the next 12-18 months. Further, a major order was received from Maldives Industrial Fisheries Company Ltd. Going forward, the company's revenue is expected to be supported by the orders it may receive from select companies in the dairy and food processing sectors which have announced sizeable capacity expansion plans after the Government of India rolled out the production-linked incentive scheme.

Credit challenges

Modest operating margin profile and susceptibility to raw material price volatility – The company's operating income has remained in the range of Rs. 200-480 crore for the last five years, mainly because the order inflow depends on the capex cycle of the end-user industries. The company logged a revenue of more than Rs. 475 crore in FY2024, a healthy growth of 16%, due to a robust order inflow. It has a modest operating margin profile in the range of 4-4.8% due to intense competition in the cold chain industry and high volatility in raw material prices as most contracts are fixed price in nature. The operating margin is expected to improve, going forward, supported by the increasing scale of operations as well as the price escalation clause in a few contracts received in the recent past.

High TOL/TNW – The company remains dependent on long credit from suppliers and advances from customers to address its funding requirements, resulting in high TOL/TNW of more than 2 times as on March 31, 2024, in the light of a moderate net worth position. The continued availability of the advances remains crucial for Rinac's funding position.

Intense competition in cold chain industry – Rinac is one of the largest manufacturers of PUF sandwich panels for cold rooms in India. It is present in the organised cold chain market and faces stiff competition from other large players. It also faces intense competition from numerous small PUF panel manufacturers, which affects its pricing flexibility.

Liquidity position: Adequate

Rinac has an adequate liquidity profile, reflected in unencumbered cash of Rs. 40-50 crore as on date along with cushion in fund-based working capital limits. The utilisation of the non-fund-based limits remains high. The company has enhanced its non-fund-based limits to Rs. 46.00 crore.

Rating sensitivities

Positive factors – ICRA could upgrade Rinac's ratings if the company is able to maintain its scale and profitability. A reduction in the TOL/TNW to below 1.5 times, on a sustained basis, may also lead to an upgrade.

Negative factors – Pressure on the ratings could arise if there is a decline in its order book, reducing the revenue and profitability. A substantial weakening of the liquidity position, or a rise in TOL/TNW of more than 2.50 times could lead to a downward revision of the ratings. ICRA notes that the resolution of the ongoing dispute with Metmin Investments Holdings Limited remains critical for a smooth business functioning and prolonged litigations that may adversely impact the operations could be a trigger for a negative rating action.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Rinac India Limited (Rinac), incorporated in 1994, is an engineering company providing cold chain solutions. It largely caters to the logistics, fast moving consumer goods (FMCG), seafood and construction sectors. Rinac operates from its two facilities in Bengaluru and Thane. The company manufactures pre-fabricated sandwich panels (PUF) for the construction of cold rooms and assembles industrial refrigerators and allied equipment for cold rooms and cold storages. The company provides a combination of products based on customer orders i.e., PUF panels along with refrigeration units for cold room and cold storages; only PUF panels; turnkey projects for construction of cold rooms, cold storages and clean rooms. Rinac manufactures standardised products under refrigeration and allied equipment like blast freezers, individually quick frozen (IQF) freezers, preserva (walk-in-refrigerators) and chillkarts (truck body with refrigeration system).

In FY2024, RIL reported a net profit of Rs. 20.7 crore on an OI of more than Rs. 475 crore compared with a net profit of Rs. 12.6 crore on an OI of Rs. 413.8 crore in FY2023.

Key financial indicators

	FY2022	FY2023
Operating income	311.4	413.8
PAT	6.3	12.6
OPBDIT/OI	3.7%	4.8%
PAT/OI	2.0%	3.1%
Total outside liabilities/Tangible net worth (times)	2.3	2.7
Total debt/OPBDIT (times)	0.0	0.7
Interest coverage (times)	8.0	10.8

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2025)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
					May 31, 2024	Apr 12, 2023	-	Feb 04, 2022
1	**Fund based - Cash credit**	Long Term	9.50	--	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	-	[ICRA]BBB (Stable)
2	**Non-fund based facility**	Short Term	46.00	--	[ICRA]A3+	[ICRA]A3+	-	[ICRA]A3+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term - Fund based - Cash credit	Simple
Short term - Non-fund based facility	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long term – Fund-based - Cash credit	NA	NA	NA	9.50	[ICRA]BBB (Stable)
NA	Short term- Non-fund based facility	NA	NA	NA	46.00	[ICRA]A3+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA]

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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