

June 20, 2017

Rinac India Limited

| Instruments* | Amount Rated (Rs. crore) | Rating Action |
|---------------------------------------|-----------------------------|---|
| Long Term - Fund Based - Cash Credit | 10.0 | [ICRA]BBB (Stable); Upgraded from [ICRA]BBB- (Stable) |
| Short Term- Non-Fund Based Facilities | 30.0 | [ICRA]A3+; Upgraded from [ICRA]A3 |
| Total | 40.0 | |

**Instrument details are provided in Annexure-1*

Rating action

ICRA has upgraded the long-term rating assigned to the Rs. 10.0-crore¹ cash-credit facilities of Rinac India Limited (RIL) from [ICRA]BBB- (pronounced ICRA triple B minus) to [ICRA]BBB (pronounced ICRA triple B)². ICRA has also upgraded the short-term rating assigned to the Rs. 30.0-crore non-fund based facilities of RIL from [ICRA]A3 (pronounced as ICRA A) to [ICRA]A3+ (pronounced as ICRA A three plus). The outlook on the long-term rating is 'Stable'.

Rationale

The ratings upgrade takes into consideration the healthy growth in revenue and operating margins over the past two years on account of healthy order inflow, leading to improvement in return indicators, debt-projection metrics and cash accruals during FY2017. The ratings continue to take into account RIL's long presence in the cold-storage and refrigeration industry coupled with sound technical expertise of the promoter group. The ratings draw comfort from the moderate order book status, providing revenue visibility over the near term. Long-term association with its clients in the government and private sectors together with increased government initiatives in the food processing sector aid the company. RIL, being an integrated cold-storage infrastructure provider offering products like prefabricated sandwich panels, refrigeration and allied equipment, enjoy better market position against competitors. Absence of long-term debt, negligible utilisation of the fund-based limits and customer advances in most of its projects, help the company maintain a healthy capital structure and support the liquidity position. The ratings are, however, constrained by the intense competition in the highly fragmented industry due to low entry barriers, especially in the private sector space. The ratings are also constrained by the vulnerability of margins to fluctuation in raw material prices given the fixed-price nature of contracts with its suppliers. The ratings are also impacted by the moderate scale of operations even though favourable government policies offer strong future potential and business prospects for the industry. Going forward, RIL's ability to improve its scale and profit margins, while effectively managing its working capital requirements, would be the key rating sensitivities.

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

Key rating drivers

Credit strengths

- Promoter's long presence coupled with technical experience in the cold-chain industry
- Integrated player with diversified product portfolio; in-house manufacturing of components and long-term association with the raw material suppliers provide operational synergies and competitive advantage
- Long-term association with the clients coupled with moderate order book position provides revenue visibility over the near term
- Healthy credit profile with no long-term debt and negligible working capital utilisation; working capital funded through customer advances
- Healthy growth in revenue and operating margins leading to improvement in return indicators, debt-projection metrics and cash accruals during FY2017

Credit weaknesses

- Moderate scale of operations and profitability indicators
- Intense competitive pressure owing to the highly fragmented nature of the industry
- Operating profitability exposed to fluctuation in the prices of key raw materials, given the fixed price nature of contracts and limited pricing flexibility

Description of key rating drivers:

The company acts as a refrigeration and insulation solution provider for cold-chain infrastructure. It commenced operations in 1994 and is involved in manufacturing of cold rooms, cool barns, industrial refrigeration, clean rooms and dry warehouses. In the recent past, the company ventured into construction solutions where it undertakes modular construction, construction of insulated roofing systems, etc. RIL is an integrated player with a diversified product portfolio. In-house manufacturing of components and long-term association with the raw material suppliers provide operational synergies in securing orders and result in better competitive positioning. The company caters primarily to the large private players and government agencies. Over the years, the company has demonstrated strong technical capabilities and has gained acceptance from its customers. Moreover, timely delivery of the product/project, has aided in customer retention and new customer acquisition. RIL has an outstanding order book of Rs. 140 crore as on May 31, 2017, which is to be executed in the next 12-18 months. The operating profitability of the company remains exposed to fluctuation in the prices of key raw materials. The highly fragmented nature of the industry further keeps the margins under check.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria

[Corporate Credit Ratings: A Note on Methodology](#)

About the company:

Incorporated in 1994, Rinac India is an integrated cold-chain solution provider, offering cold-chain infrastructure primarily to food and agro, government projects, pharmaceutical and telecom sectors. The cold-chain infrastructure mainly comprises cold rooms, cold warehouses, industrial refrigeration, dry warehouses, ripening chambers, among others. The company is present in two segments, namely pre-fabricated sandwich panels (used in construction) and refrigeration and allied equipment, contributing to ~50% and 36% of the total revenues, respectively during FY2017.

Mr. P. V. Balasubramanian, the Managing Director and the Promoter and Promoter Group, together hold over 33.6% of shares of RIL. Of the remaining stake, the major portion is held by private equity investors, Avigo Venture Investments Limited holds 39% and Metmin Investments Holdings Limited holds 16%, as on March 31, 2017.

Based on provisional figures, the company reported a net profit of Rs. 8.16 crore on an operating income of Rs. 210.4 crore in FY2017.

Status of non-cooperation with previous CRA: Not Applicable.

Any other information: Not Applicable.

Rating History for last three years:

Table:

| S. No. | Name of Instrument | Current Rating (FY2018) | | | Chronology of Rating History for the past 3 years | | |
|--------|---------------------------|-------------------------|--------------------------|---------------------------------|---|--------|---------------------|
| | | Type | Rated amount (Rs. Crore) | Month - year & rating in FY2018 | Month - year & Rating | | |
| | | | | | FY2017 | FY2016 | FY2015 |
| 1 | Cash Credit | Long term | 10.0 | June 2017 | May 2016 | - | March 2015 |
| | | | | [ICRA]BBB (Stable) | [ICRA]BBB- (Stable) | NA | [ICRA]BBB- (Stable) |
| 3 | Non-fund based facilities | Short term | 30.0 | [ICRA]A3+ | [ICRA]A3 | NA | [ICRA]A3 |

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Instrument Details

| Name of the instrument | Date of Issuance / Sanction | Coupon rate | Maturity | Size of the issue (Rs. crore) | Current Rating and Outlook |
|-------------------------------|------------------------------------|--------------------|-----------------|--------------------------------------|-----------------------------------|
| Fund based – Cash Credit | - | - | - | 10.0 | [ICRA]BBB (Stable) |
| Non-Fund based limits | - | - | - | 30.0 | [ICRA]A3+ |

Source: Rinac India Limited



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