

Ice Make Refrigeration Limited

December 20, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	55.81 (Reduced from 56.71)	CARE A-; Stable	Upgraded from CARE BBB+; Stable
Long-term / Short-term bank facilities	90.00 (Enhanced from 52.00)	CARE A-; Stable / CARE A2+	Upgraded from CARE BBB+; Stable / CARE A2

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in the ratings assigned to the bank facilities of Ice Make Refrigeration Limited (IMRL) is on account of significant improvement in scale of operations in past two years ended FY24 (refers to the period from April 01 to March 31) and expected improvement going forward with recently concluded capex of continuous panels and commercial refrigeration system. The ratings continue to derive strength from the longstanding experience of its promoters in refrigeration equipment industry, diversified product portfolio and its established clientele. The ratings further take into consideration improvement in profitability during FY24 along with its comfortable capital structure as well as debt coverage indicators and its adequate liquidity on a consolidated basis.

The ratings, however, continue to remain constrained on account of IMRL's moderate scale of operations and network with stiff competition from large players, susceptibility of profitability to volatile raw material prices and subdued performance of its subsidiaries present in the same line of business. This apart, ratings also take cognizance of scaling up risk associated with recently concluded debt funded capex for setting up new manufacturing facility and new product lines.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Volume driven growth in total operating income (TOI) of IMRL resulting in growth in TOI beyond ₹650 crore along with PBILDT margin of more than 14% and ROCE of over 20%, on sustained basis.
- Sustenance of overall gearing below 0.35x

Negative factors

- Decline in TOI below ₹300 crore and/or decline in PBILDT margin below 8%, on a sustained basis.
- Deterioration in overall gearing beyond 0.75x times and Total Debt/PBILDT above 2x.
- Elongation in working capital cycle to beyond 90 days with increase in external borrowings to fund these requirements.

Analytical approach: Consolidated

CARE Ratings Limited (CARE Ratings) has considered the consolidated performance of IMRL for its analysis. Both the subsidiaries are engaged in similar line of business though cater to different geographies. Furthermore, Bharat Refrigeration Private Limited (BRPL) is managed by promoters of IMRL, while Ice Best Private Limited (IBPL, 60% held by IMRL), is jointly managed by promoters of IMRL and other party. Furthermore, IMRL has also been providing need-based support to BRPL and is likely to support IBPL, if required. The details of Subsidiaries have been mentioned in Annexure: 6.

Outlook: Stable

Stable outlook reflects CARE Ratings' expectations that the company will continue to benefit from the vast experience of its promoters and sustain its financial risk profile in near to medium term, supported by growth in scale of operations through product and geographical diversification.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

Key strengths

Significant growth in TOI along with improvement in profitability

During FY24, IMRL's Total Operating Income (TOI) (on a consolidated basis) grew by ~21.20% y-o-y to ₹378.45 crore (₹312.24 crore in FY23 and ₹206.21 crore in F22) due to healthy growth in sales volume and realisation backed by strong demand across its product portfolio. With increase in TOI, IMRL's PBILDT margin improved to 10.79% in FY24 from 10.30% in FY23. In H1FY25, IMRL's TOI further improved to ₹188.82 crore, compared to ₹156.33 in H1FY24, backed by execution of orders on hand. PBILDT margin moderated in H1FY25 to 7.79% compared to 10.27% in H1FY24 due to increase in employee costs as new employees were hired for new plant setup for continuous panels and commercial refrigeration system.

CARE Ratings expects IMRL's TOI to grow further in FY25 supported by a healthy order book of ₹170 crore as on December 06, 2024, which is expected to get executed in December – March, just before the onset of summer. The company recently concluded capex envisaged to contribute ~₹50 crore of revenue in FY25.

Comfortable leverage and debt coverage indicators despite some moderation due to debt-funded capex

IMRL has a comfortable capital structure with overall gearing of 0.27x as on FY24 end (PY: 0.06x) on a consolidated basis. Overall gearing would moderate with increase in term loan for capex in current year and increase in working capital borrowings on back of increase in scale of operations. However, it is expected to remain moderate at ~0.60x at FY25 end. IMRL's debt coverage indicators also remained comfortable as indicated by PBILDT interest coverage of 19.31x in FY24 (PY: 25.70x) and total debt/gross cash accruals (GCA) of 0.91x (PY: 0.20x) as on March 31, 2024. The interest coverage remained at 10.89x in H1FY25 and overall gearing stood at 0.74x as on September 30, 2024.

Established and diversified clientele along with diversified product portfolio

IMRL has strong clientele and provides refrigeration solutions to diversified industries viz. pharmaceuticals, dairy and ice-cream, healthcare, and food products industries. Furthermore, IMRL's client diversification also remained healthy with top 10 clients contributing only around 20-40% of its total revenue over the last three years ended FY24. Around 70% of IMRL's revenue is generated from direct sales whereas the balance is through its dealers and distributors spread across the country. In addition, IMRL's product profile is balanced, wherein cold room storage solution contributes highest around 47% in FY24 (P.Y. 47%), as these are generally large ticket size solutions with on-site installation and commissioning requirements. Contribution from commercial refrigeration and other refrigeration products stood at 20% (P.Y. 28%) and 19% (P.Y.10%) respectively of the total sales. The share of transport refrigeration and industrial refrigeration remained stable at 9% and 4% respectively in FY24 (P.Y. 10% and 5% respectively).

Promoters' experience in the refrigeration equipment industry

IMRL's key promoter, Mr. Chandrakant Patel, has over three decades of experience in the refrigeration equipment manufacturing industry. He looks after the overall operations along with co-promoters, Mr. Rajendra Patel & Mr. Vipul Patel, who also have an experience of over two decades in the refrigeration equipment industry. They both look after the production, purchase, accounts, and finance at IMRL.

Key weaknesses

Susceptibility of operating profitability to volatility in input costs

The main raw material used by IMRL in manufacturing comprise of polyurethane (PU) chemical and galvanized steel sheets along with components made from copper and aluminium. Prices of these products are volatile in nature (as PU is a crude oil derivative, while prices of metals are inherently volatile), it exposes IMRL's profitability to adverse movement in prices of these products. While IMRL largely operates under fixed price order book wherein it partially books the raw material required in advance to insulate the price volatility risk, it is also required to hold ready inventory of some of these products to cater to the time bound requirement of its clients. The execution cycle of few orders is small and IMRL partially passes on any price increase in newly bagged orders, however, highly competitive intensity in the industry acts as a major challenge for its profitability.

Competition from established players and subdued performance of BRPL

Refrigeration equipment industry is majorly characterized by presence of few reputed organized players. These players have higher scale of operations which provide them with better operational and financial flexibility. This also limits the bargaining power of IMRL vis-à-vis its customers, limiting its profitability. IMRL positions itself as a complete solutions provider in the refrigeration equipment business and has been able to gradually grow its TOI over the last few years, which also reflects the increased demand for its products and underlines their quality; however, its scale has remained moderate owing to a competitive intensity.

Furthermore, financial performance of IMRL's subsidiary i.e. BRPL, though improved, remained subdued with TOI of ₹23.80 crore (P.Y.: ₹19.77 crore) and operating margin of 2.27% (P.Y. 4.35% in FY23). BRPL booked net loss of ₹0.18 crore (PY: net loss of ₹0.24 crore) in FY24. For geographical expansion, IMRL has setup another subsidiary, IBPL in East India. It is expected to save

logistics cost and expand its presence in Eastern India. IBPL is in joint venture with another partner and IMRL holds 60% stake and invested ₹2 crore of equity.

Scaling up risk associated with recently concluded capex

IMRL has setup continuous panel manufacturing plant in Bavla, Gujarat. The project's total cost of ₹72 crore was funded in the debt: equity ratio of 2:1. The capex has been concluded and operations commenced from November 2024 onwards. The project cost was revised from ₹64.63 crore considered in the last review, owing to change in building designs and area. Apart from this, company has also setup plant for manufacturing commercial fridge (economical range) in current year with overall outlay of ₹15 crore and entirely funded from internal accruals. Trail runs have been completed successfully and plant will begin operations before end of December 2024. Scaling up of the aforesaid debt-funded capex and realisation of envisaged benefits would remain crucial for the company.

Liquidity: Adequate

IMRL's liquidity remains adequate marked by sufficient cushion in accruals against its repayment obligations and low utilisation of its fund-based working capital limits and positive cash flow from operations. Cash flow from operations stood at ₹10.31 crore in FY24 (₹24.04 crore in FY23). Average fund-based utilisation of working capital limits for the past 12 month ended November 2024 remained moderate at ~53.59%.

IMRL's operating cycle remained moderate at 62 days in FY24 compared to 64 days in FY23. As the industry is dominated by few large players, IMRL extends credit days of ~40-50 days to its customers. Moreover, seasonality in the business owing to majority of the commissioning in Q4 of a financial year results in higher receivables at the end of the year. IMRL's collection period is offset to a large extent by credit period of ~50-60 days received from its suppliers. IMRL also maintains an inventory of ~60-80 days to ensure smooth delivery to its customers and to avail quantity discounts from its suppliers. Going forward, the company is expected to generate the internal accruals of ₹30-50 crore against the envisaged annual debt repayment of ₹3-10 crore.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Industrial products	Other industrial products

Gandhinagar (Gujarat)-based IMRL, erstwhile known as Ice Make Refrigeration Pvt. Ltd., was originally established as a partnership firm and was subsequently reconstituted in 2009 as a private limited company. In November 2017, IMRL raised ₹23.71 crore through its Initial Public Offer (IPO) and was subsequently listed on NSE – Emerge. IMRL has migrated to NSE – Capital Market Segment (Main Board) from October 12, 2020. IMRL, promoted by Chandrakant Patel, Rajendra Patel and Vipul Patel, is engaged in manufacturing wide range of refrigeration products under the brand name 'Ice Make'. IMRL's manufacturing facilities are located at Gandhinagar, Gujarat, and recently new unit has been set up in Bavla, Gujarat.

The company provides refrigeration solutions, including cooling, pre-cooling, mobile pre-cooling, blast chilling, blast freezing, storage, and display. IMRL's products are broadly classified into six categories, cold room & storage products, commercial refrigeration products, transport refrigeration products, industrial refrigeration products, continuous panels and others including ammonia-based refrigeration products. In December 2016, IMRL acquired BRPL, a Chennai-based entity with operations of over two decades in the refrigeration industry for a total consideration of ₹2.26 crore to expand its footprint in the South Indian market. In FY24, IMRL setup IBPL and has 60% stake for a total consideration of ₹2.00 crore to expand its footprint in the East market.

Brief consolidated financials of IMRL:

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (Prov.)
Total operating income	312.24	378.45	188.82
PBILDT	32.15	40.83	14.70
PAT	20.89	26.14	8.43
Overall gearing (times)	0.06	0.27	0.74
Interest coverage (times)	25.70	19.31	10.89

A: Audited, Prov.: Provisional; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable**Any other information:** Not applicable**Rating history for last three years:** Annexure-2**Detailed explanation of covenants of rated instrument / facility:** Annexure-3**Complexity level of instruments rated:** Annexure-4**Lender details:** Annexure-5**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	65.00	CARE A-; Stable / CARE A2+
Non-fund-based - LT/ ST-Bank guarantee		-	-	-	25.00	CARE A-; Stable / CARE A2+
Term loan-Long term		-	-	October 2033	55.81	CARE A-; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	65.00	CARE A-; Stable / CARE A2+	-	1)CARE BBB+; Stable / CARE A2 (05-Jan-24)	1)CARE BBB+; Stable / CARE A2 (23-Dec-22)	1)CARE BBB+; Stable / CARE A2 (30-Dec-21)
2	Term loan-Long term	LT	55.81	CARE A-; Stable	-	1)CARE BBB+; Stable (05-Jan-24)	1)CARE BBB+; Stable (23-Dec-22)	1)CARE BBB+; Stable (30-Dec-21)
3	Non-fund-based - LT/ ST-Bank guarantee	LT/ST	25.00	CARE A-; Stable / CARE A2+	-	1)CARE BBB+; Stable / CARE A2 (05-Jan-24)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple
2	Non-fund-based - LT/ ST-Bank guarantee	Simple
3	Term loan-Long term	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Bharat Refrigeration Private Limited	Full	Subsidiary
2	Ice Best Private Limited	Full	Subsidiary

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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