

## Shree Refrigerations Limited

March 25, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	40.40	CARE BB+; Stable	Assigned
Long Term / Short Term Bank Facilities	20.10	CARE BB+; Stable / CARE A4+	Assigned
Short Term Bank Facilities	29.50	CARE A4+	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Rating assigned to the bank facilities of Shree Refrigerations Limited (SRL) remain constrained on account of its moderate scale of operations, working capital intensive nature of operations, tender driven and competitive nature of business and volatility in raw material prices and exposure to changes in government regulations.

However, the ratings derive strength from experienced promoters, reputed clientele base, healthy profitability, healthy orderbook position reflecting medium term revenue visibility and comfortable capital structure and debt coverage indicators.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in scale of operation above Rs.120 Crore while maintaining profitability on a sustained basis.
- Managing working capital cycle efficiently with improvement in overall operating cycle below 200 days on a sustained basis.

#### Negative factors

- Elongation in operation cycle above 360 days with substantial decline in scale of operations on a sustained basis.
- Deterioration in capital structure marked by overall gearing above unity on a sustained basis.

### Analytical approach: Consolidated

CARE Ratings Limited (CARE Ratings) has considered consolidated financials, including SRL and its wholly owned subsidiary. The details of the consolidated subsidiaries are given as Annexure-6 below.

### Outlook: Stable

The 'Stable' outlook on the rating reflects CARE Ratings' expectation that SRL will continue to benefit from the extensive experience of its promoters.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Moderate scale of operations

SRL's Total Operating Income (TOI) has remained moderate over the past five years ending FY24 (refers April 1 to March 31). In FY24, TOI increased to Rs.80.31 crore from Rs.50.65 crore in FY23 driven by successful execution of marine orders. Additionally, the company reported TOI of Rs.76.05 crore during 9MFY25 (refers April 1 to December 31). TOI is expected to grow moderately over the medium term supported by successful execution of current orderbook projects.

##### Working capital intensive nature of operations

SRL's operations remain working capital intensive, with elongated operating cycle of 317 days in FY24, (303 days in FY23), mainly due to a longer collection and inventory holding period. This elongation is attributable to long execution period requiring high inventory and multiple inspection and verification activities which lead to delay in approvals from customers, thereby blocking funds in receivables.

##### Tender driven and competitive nature of business

The HVAC industry is characterized by fragmentation, with numerous prominent players operating at the national level. The company primarily supplies HVAC systems to Indian Navy, where orders are awarded based on tenders. Thus, exposing company to risks associated with tender based business, which is characterised by intense competition. The growth of business depends on its ability to successfully bid for the tenders and emerge as the lowest bidder.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

### **Volatility in raw material prices and regulated industry**

The primary raw materials used in the production of industrial heaters and air-cooled condensers are steel sheets, plates, and tubes. SRL's profitability is highly sensitive to fluctuations in raw material prices and market conditions. Due to the inherent volatility in steel prices and the absence of a price adjustment clause in its contracts, the company is vulnerable to sudden price increases. Such fluctuations could significantly affect profitability, especially if costs rise unexpectedly and cannot be passed on to customers.

Additionally, contracts with government entities are exposed to delays and uncertainties due to extensive internal procedures, frequent policy changes, and budgetary limitations. These factors can hinder the timely execution and completion of projects, posing a significant risk to operational performance.

### **Key Strengths**

#### **Long and established track record of promoters and key managerial personnel**

The company is led by Ravalnath Gopinath Shende, promoter and Managing Director, who brings extensive experience in sales, manufacturing, operations, and management. Mr. Shende and his family oversee the financials and overall management of the company. Other key leaders bring significant industry expertise, including Sunil Kaushik, the Whole-time Director, with over 35 years of experience in the Indian Navy and shipbuilding projects; Nandkumar Madhav Athawale, Independent Director, with vast experience in heavy engineering, defence, and aerospace; Umesh Ramaswamy Shastry, Independent Director, a qualified Chartered Accountant and Company Secretary with expertise in finance and internal audit; Col. Lalit Rai, Independent Director, a former army officer with leadership experience; and Vivek Karnavat, Independent Director, with a distinguished career in the Indian Navy. Their combined experience ensures excellence in executing and securing more defence projects.

#### **Healthy profitability**

SRL's operating profitability remained healthy over last four years ended FY24, marked by profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin within the range of 19-27%. During FY24, PBILDT margin increase by 817 bps to 27.31% compared to 19.14% in FY23 on account of moderation in employee costs and other expenses. PAT margin also stood healthy at 15.35% in FY24 compared to 5.08% in FY23.

#### **Comfortable capital structure and moderate debt coverage indicators**

SRL's capital structure remained comfortable marked by overall gearing ratio of 0.66x as on March 31, 2024, with the net worth base of Rs.60.94 crore, significantly improved from 2.18x as on March 31, 2023, resulting from infusion of capital. Debt coverage metrics were seen moderate, with the total debt to gross cash accruals (TDGCA) ratio at 2.63x (PY: 7.78x), in FY24. The interest coverage ratio remained at 4.33x for FY24, compared to 1.97x in FY23.

#### **Reputed clientele base**

SRL primarily focuses on securing and executing naval (marine) orders, specializing in the manufacturing and installation of HVAC systems for ships, submarines, etc. SRL generates over 70% of its revenue from its top three customers, with Mazagaon Dock Shipbuilders Limited being the largest contributor, accounting for 35-55% of TOI. This concentration somewhat exposes the company's performance to the orders from a few key clients.

#### **Moderate orderbook position with medium term revenue visibility**

As of February 18, 2025, SRL has an order book worth Rs. 248.45 crore, scheduled for execution over the next five years, ensuring medium-term revenue visibility. Timely project execution will be crucial to maintaining healthy cash flows.

#### **Liquidity: Stretched**

SRL's liquidity position is stretched marked by elongated operating cycle. Net cashflow from operations remained negative for past five years ending FY24. Average fund-based working capital utilization for 12 months ending December 31, 2024, stood at 88.16%. Cash and bank balance with the company was Rs.0.97 crore as on March 31, 2024. During 9MFY24, SRL has raised funds by way of issue of equity shares on private placement basis, which should provide some liquidity cushion.

#### **Applicable criteria**

[Consolidation](#)

[Definition of Default](#)

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

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Industrial Products	Other Industrial Products

Shree Refrigerations Limited (SRL), based in Karad, Maharashtra, was originally established as a partnership firm in 1990 before transitioning into a private limited company. In 2024, SRL further expanded its corporate structure, becoming a limited company. The company is engaged in manufacturing of chillers, refrigeration and air conditioning appliances and other parts of Heating, Ventilation, Air Conditioning (HVAC) Industry, offering array of advanced systems and equipment to industries majorly in domestic market. These products serve multiple industries including Automotive, Print Media, Chemical, Pharma and General engineering sectors. Company is also actively involved in the manufacturing of marine chillers, having approved supplier registrations from various professional directorates of Indian Navy (Directorate of Electrical Engineering and backed by Directorate of Quality Assurance – Warship Projects).

Brief Financials (₹ crore) –Consolidated – SRL	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	50.65	80.31	76.05
PBILDT	9.70	21.93	NA
PAT	2.57	12.33	NA
Overall gearing (times)	2.18	0.66	NA
Interest coverage (times)	1.97	4.33	NA

A: Audited UA: Unaudited; NA: Not available; Note: these are latest available financial results

Brief Financials (₹ crore) – Standalone - SRL	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	50.65	80.31	76.05
PBILDT	9.68	21.70	23.27
PAT	3.37	11.03	11.04
Overall gearing (times)	2.50	0.64	0.34
Interest coverage (times)	2.19	4.70	6.65

A: Audited UA: Unaudited; 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
Fund-based - LT-Cash Credit		-	-	-	30.00	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	10-02-2030	5.40	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	31-03-2028	5.00	CARE BB+; Stable
Fund-based/Non-fund-based-LT/ST		-	-	-	20.10	CARE BB+; Stable / CARE A4+
Non-fund-based - ST-BG/LC		-	-	-	29.50	CARE A4+

**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	Fund-based - LT-Cash Credit	LT	30.00	CARE BB+; Stable				
2	Non-fund-based - ST-BG/LC	ST	29.50	CARE A4+				
3	Fund-based - LT-Term Loan	LT	5.40	CARE BB+; Stable				
4	Fund-based - LT-Term Loan	LT	5.00	CARE BB+; Stable				
5	Fund-based/Non-fund-based-LT/ST	LT/ST	20.10	CARE BB+; Stable / CARE A4+				

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	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based/Non-fund-based-LT/ST	Simple
4	Non-fund-based - ST-BG/LC	Simple

**Annexure-5: Lender details**

To view the 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	Trezor Technologies 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](mailto:care@careedge.in) for clarifications.

## Contact us

<b>Media Contact</b>  Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a>	<b>Analytical Contacts</b>  Akhil Goyal Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3590 E-mail: <a href="mailto:akhil.goyal@careedge.in">akhil.goyal@careedge.in</a>
<b>Relationship Contact</b>  Pradeep Kumar V Senior Director <b>CARE Ratings Limited</b> Phone: +91-44-2850 1001 E-mail: <a href="mailto:pradeep.kumar@careedge.in">pradeep.kumar@careedge.in</a>	Ashish Kashalkar Assistant Director <b>CARE Ratings Limited</b> Phone: +91-20-4000 9009 E-mail: <a href="mailto:Ashish.Kashalkar@careedge.in">Ashish.Kashalkar@careedge.in</a>
	Yash Bhide Rating Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:Yash.bhide@careedge.in">Yash.bhide@careedge.in</a>

### About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

### Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For detailed Rationale Report and subscription information,  
please visit [www.careedge.in](http://www.careedge.in)**