

Ice Make Refrigeration Limited

December 30, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	2.04 (Reduced from 2.39)	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Reaffirmed
Long Term / Short Term Bank Facilities	25.00 (*Enhanced from 19.00)	CARE BBB+; Stable / CARE A2 (Triple B Plus; Outlook: Stable/ A Two)	Reaffirmed
Total Bank Facilities	27.04 (Rs. Twenty-Seven Crore and Four Lakhs Only)		

Details of instruments/facilities in Annexure-1

* The amount rated by CARE is enhanced from Rs.19.00 crore to Rs.25.00 crore, however sanctioned limit to the company stands unchanged at Rs.25.00 crore.

Detailed Rationale & Key Rating Drivers

The ratings for the bank facilities of Ice Make Refrigeration Limited (IMRL) continue to derive strength from the long-standing experience of its promoters in refrigeration equipment industry and its established clientele. The ratings further take into consideration its stable total operating income (TOI) along with its comfortable capital structure and debt coverage indicators and its adequate liquidity on a consolidated basis.

The ratings, however, continue to remain constrained on account of IMRL's modest scale of operations, moderate operating profitability due to stiff competition from organized players, susceptibility of profitability to volatile metal prices which resulted in lower profitability during FY21 and H1FY22 and subdued performance of its wholly owned subsidiary viz. Bharat Refrigerations Private Limited (BRPL) present in same line of business, which however contributes a nominal amount to IMRL's consolidated TOI.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Improvement in scale of operations of IMRL along with strong ramp up in operations in its wholly owned subsidiary i.e., Bharat Refrigerations Private Limited (BRPL) resulting in growth in TOI beyond Rs.400 crore along with sustained operating profitability (PBILDT margin) of more than 14%.
- Sustained generation of healthy cash flow from operations along with maintenance of comfortable capital structure and debt coverage indicators

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Decline in total operating income below Rs.100 crore and/or decline in PBILDT margin below 8%, on a sustained basis
- Availment of new debt in IMRL to fund the operating loss in BRPL, resulting in deterioration in overall gearing beyond 0.50 times on consolidation
- Elongation in working capital cycle to beyond 120 days with increase in external borrowings to fund these requirements

Detailed description of the key rating drivers

Key Rating Strengths

Promoters' experience in the refrigeration equipment industry

IMRL's key promoter, Mr. Chandrakant Patel, has over two decades of experience in the refrigeration equipment manufacturing industry. He looks after sales and marketing, research & development, human resource and administration along with strategic planning decisions. The co-promoters, Mr. Rajendra Patel & Mr. Vipul Patel, also have an experience of over two decades in the refrigeration equipment industry.

Established and diversified clientele

Over the years, IMRL has established a strong clientele across industries. Some of the industries to which it has provided refrigeration solutions include pharmaceuticals, dairy and ice-cream, healthcare, and food products. Further, the diversification in IMRL's client profile also remained healthy with top clients contributing only around 25-30% of its total revenue over the last three years ended FY21. Around 60-70% 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 also balanced, wherein cold room storage solution contributes highest around 55-60% over last three years, as these are generally large ticket size solution with on-site installation and commissioning requirements and attracts better margin compared to other product segment.

Stable total operating income with moderate profitability which however dipped significantly in Q1FY22

During FY21, the scale of operations of IMRL remain largely stable, marked by TOI of Rs.135.41 crore (P.Y. Rs.138.11 crore) on a consolidated basis. As the operations was impacted due to Covid-19 restriction, the quarterly sales of Q1FY21 were dropped

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

to Rs.16.99 crore and it incurred loss of Rs.1.36 crore after tax. However, as the demand recovered in H2FY21, IMRL made strong recovery in sales marked by TOI of around Rs.88.10 crore at PBILDT margin of 8.88% in H2FY21. The overall operating profit margin of FY21 declined to 8.19% in FY21 compared to 10.09% in FY20.

During H1FY22, the TOI of IMRL stood strong at Rs.80.55 crore compared to TOI of Rs.47.74 crore in H1FY21, however the PBILDT margin declined to 3.91% mainly due impact of second wave of Covid-19 (During Q1FY22, PBILDT margin stood at 0.34% which improved to 6.33% in Q2FY22) and sharp increase in metal prices which could not be passed on entirely due to competition.

Further, IMRL's business operations exhibit seasonality, since a majority of IMRL's sales orders are executed during December – March period just before the onset of summer, which is expected to translate into higher sales in H2FY22. Company had moderate order book of Rs.57.32 crore as on December 04, 2021 (Rs.38.32 crore as on December 20, 2020).

Comfortable leverage and debt coverage indicators

The capital structure of IMRL remains comfortable, marked by overall gearing of 0.18 times as March 31, 2021, on consolidated basis. Further, IMRL's debt coverage indicators on a consolidated basis also remains comfortable as indicated by PBILDT interest coverage of 5.83 times during FY21 and total debt/GCA of 1.26 times as on March 31, 2021.

Key Rating Weaknesses

Susceptibility of operating profitability to volatility in input costs

IMRL's key raw materials comprise of polyurethane (PU) chemical and galvanized steel sheets along with components made from copper and aluminium. As the 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 these prices. While IMRL largely operates under fixed price order book wherein it partially book the raw material required in advance to insulate the price volatility risk, it also required to hold ready inventory of some of these products to cater to the time bound requirement of its clients, exposing it to volatility to some extent. Execution cycle of few orders are 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 its moderate scale of operations

Refrigeration equipment industry is majorly characterized by presence of reputed organized players including Voltas Ltd. and Blue Star Ltd. These entities are considerably larger, and their scale of operations provides 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 industry. Furthermore, financial performance of BRPL has also remained subdued with miniscule TOI of Rs.8.91 crore in FY21 and operating profit of Rs.0.16 crore during the year.

Liquidity: Adequate

IMRL's liquidity remains adequate marked by sufficient cushion in accruals vis-à-vis its limited debt repayment obligations and relatively low utilization of its fund based working capital limits at around 42% for the trailing 12 months ended October 31, 2021. As the industry is dominated by large player, IMRL extends moderate credit days to their customer. The overall debtors' collection days of IMRL stood at around 60 days. Seasonality in the business owing to majority of the shipments/commissioning during December – March period also contributes to higher receivables at the end of the year. IMRL's collection period is offset to a large extent by a credit period of around 50-60 days received by IMRL from its suppliers. Further, IMRL also maintains an inventory of around 80-100 days to ensure smooth delivery to its customers and to avail quantity discounts from its suppliers.

Analytical approach: Consolidated

IMRL's credit risk profile has been analysed on a consolidated basis with Bharat Refrigerations Private Limited (BRPL), as BRPL is its wholly owned subsidiary, and both the entities are engaged in similar line of business except for catering to different geographies. IMRL has also been providing need-based support to BRPL.

Details of entities considered in IMRL's consolidation are shown in Annexure-6.

Applicable Criteria

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[Short Term Instruments](#)

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[Financial Ratios: Non-financial Sector](#)

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

About the Company

Gandhinagar, Gujarat based IMRL, erstwhile known as IC Ice Make Refrigeration Pvt. Ltd., was originally established as a partnership firm and was subsequently reconstituted in 2009 as a private limited company. IMRL, promoted by Mr. Chandrakant Patel, Rajendra Patel and Mr. Vipul Patel, is engaged in the manufacturing of a wide range of refrigeration products under the brand name 'Ice Make'. IMRL's manufacturing facilities are located at Gandhinagar, 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 five categories viz., cold room & storage products (55% of its revenue in FY21), commercial refrigeration products (19%), transport refrigeration products (11%), industrial refrigeration products (7%) and others including ammonia-based refrigeration products (7%).

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 Rs.2.26 crore to expand its footprint in the South Indian market. In November 2017, IMRL raised Rs.23.71 crore through its Initial Public Offer (IPO) and was subsequently listed on NSE – Emerge. IMRL has recently migrated to NSE – Capital Market Segment (Main Board) from October 12, 2020, onwards.

Brief consolidated financials of IMRL:

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	H1FY22 (Prov.)
Total operating income	138.11	135.41	80.55
PBILDT	13.94	11.09	3.15
PAT	5.05	3.61	0.52
Overall gearing (times)	0.33	0.18	0.24
Interest coverage (times)	6.08	5.83	4.61

A: Audited; Prov.: Provisional,

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
LT/ST Fund-based/non-fund-based-CC/WCDL/OD/LC/BG	-	-	-	25.00	CARE BBB+; Stable / CARE A2
Term Loan-Long Term	-	-	June 2026	2.04	CARE BBB+; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST*	25.00	CARE BBB+; Stable / CARE A2	-	1)CARE BBB+; Stable / CARE A2 (05-Jan-21)	1)CARE BBB+; Stable / CARE A2 (24-Dec-19)	1)CARE BBB+; Stable / CARE A2 (18-Feb-19)
2	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (18-Feb-19)
3	Term Loan-Long Term	LT	2.04	CARE BBB+; Stable	-	1)CARE BBB+; Stable (05-Jan-21)	1)CARE BBB+; Stable (24-Dec-19)	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	LT/ST Fund-based/non-fund-based-CC/WCDL/OD/LC/BG	Simple
2	Term Loan-Long Term	Simple

Annexure 5: Bank Lender Details for this Company

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

Annexure 6: List of IMRL's subsidiaries for consolidation

Name of the company	Relationship	% Holding of IMRL as on March 31, 2021
Bharat Refrigerations Private Limited	Wholly Owned Subsidiaries	100%

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

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