



Initiating Coverage on

Refex Industries Limited

"Buy" | Target price: Rs. 350 | Upside: 37.15%



AJCONGLOBAL
YOUR FRIENDLY FINANCIAL ADVISORS

refex



**COAL & ASH
HANDLING**



**REFRIGERANT
GASES**



POWER TRADING

REFEX INDUSTRIES LIMITED

RESEARCH REPORT

CMP	Rs.255.20 (Face value: Rs. 10)
Book value	Rs. 122.83 per share as on 9MFY23
Recommendation	BUY
Target price	Rs. 350
Upside	37.15%
52 Week High/Low	Rs. 335 /Rs. 98.45
Market Cap	Rs. 563.99 Crore
NSE/BSE code	REFEX/532884
Bloomberg code	REFX:IN
Promoter holding	52.70 %

Shareholding pattern



■ Promoter & Promoter group ■ Public

Particulars (Rs. Crore)	9MFY23	FY22	FY21	FY20	FY19
Revenue	999.90	444	633	661	461
EBITDA	104.86	58	68	51	28
EBITDA (%)	10.49	13.03	10.7	7.77	6.13
Profit before tax	88.4	61	58	48	29
Profit after tax	65.39	45	41	33	31
PAT margin (%)	6.54	10.32	6.47	5.01	6.8
Equity share cap.	22.10	21.00	21.00	15.475	15.475
Reserves	250.45	163	119	60	27
Networth	271.45	184	140	76	43
Total Debt	99.7*	85	74	9	-
Debt/Equity (x)	0.37	0.46	0.53	0.11	0.004
EPS (Rs.)	30.61	21.61	21.74	21.38	20.44
P/E (x)	6.25~	12.36	12.28	12.49	13.06
Inventory days	-	8	4	2	7
Debtors days	-	96	54	40	69
Creditors days	-	80	70	27	92
RoNW (%)	32.12#	24.46	29.29	43.42	72.09

Source: Company, # denotes 9MFY23 annualised, *as on H1FY23, ~at 9MFY23 annualised EPS

Did you know?

The Company began its journey in the year 2002 and successfully broke the monopoly that existed in the refrigerant gas market..

Refex is a well-known brand in the refrigerant gas industry for the past two decades..

Company benefits from high entry barriers in the fly ash and coal handling segment..

The enjoys strong balance sheet with low debt and high RoE..

Impressive background

Refex Industries Ltd. (Refex) was incorporated in 2002 by the name of Refex Refrigerants Private Limited and commenced the business of refilling refrigerant gases (ozone-friendly Hydrofluorocarbons). In 2006, the Company converted itself into public limited company. Later in 2007, the Company got listed on the Bombay Stock Exchange (BSE) and subsequently in 2009 on the National Stock Exchange (NSE). In 2009, Refex achieved the largest market share among the refrigerant gases in the Country.

Currently, Refex is in the business of refrigerant gases, coal and fly ash handling, solar energy, and power trading. The Company has also been working on innovative ways to grow its portfolio that will not only propel its growth but also help it to withstand the existing competition across industries. Its move of using eco-friendly HFCs has also been highly appreciated by the Central as well as the State Government of Tamil Nadu in the past.

Investment recommendation and rationale

At CMP of Rs. 255.20, the stock is valued at a P/E of 6.25x at 9MFY23 annualised EPS of Rs. 40.81 and valued at a P/E of 13x at FY22 EPS which looks attractive considering the strong fundamentals.

We recommend a "BUY" and assign a target price of Rs. 350 (P/E of 7x at estimated FY24 EPS of Rs. 50) due to the following factors: a) business model is derisked as it is well diversified across segments, b) strong player in the Indian refrigerant Industry - dispatched more than 900 MT of HFC gases across India clocking revenue of INR 38 Crore and EBITDA of INR 8 Crore for FY22, c) second largest organized player for ash handling in the country, d) High entry barrier in fly ash and coal handling segment, e) handled fly ash disposal to the tune of 120 Lakh MT to date in an environmental-friendly manner across various locations utilizing a fleet of bulkers, hyvas, and rail rakes, e) Refex has a significant foothold in the states of Chhattisgarh and Maharashtra for handling and disposal of Fly Ash, f) promoters having good experience and strong domain expertise, g) strong growth prospects, h) comfortable inventory and debtors cycle, i) strong Balance Sheet with miniscule long term debt, j) expectation of better performance in coming quarters.

Key Milestone

Year	Particulars
2002	Incorporation of the Company as Refex Refrigerants Private Limited and commencement of the refilling business of refrigerant gases (Hydro Fluoro Carbon).
2004	Received Appreciation Letter from Minister of State for Commerce & Industry, Government of India for the eco-friendly approach of the Company to introduce HFCs in place of CFCs in the Country and for establishing such a Project in Thiruporur, Kancheepuram District.
2005	The Company was awarded with ISO 9001: 2000 Certificate by TUV Management Services.
2006	Refex was converted into a Public Limited Company.
2007	Public Issue of Equity Shares and listing of equity shares on BSE
2008	Launching of disposable refrigerants R134A Cans
2009	Listing of Equity Shares on National Stock Exchange and achieved highest market share in the Refrigerant gases business
2012	Setting up a 5MW solar power plant in the state of Rajasthan
2013	Renamed the Company from Refex Refrigerants Limited to Refex Industries Limited
2015	Entered in the business of export of refrigerant gases
2018	Entered into the business of trading coal and disposal of ash
2020	Issue of Shares on Rights Basis for INR 25 Crores
2021	Secured Investment Grade rating of BBB+ from equity rating agency
2022	Received Power Trading - "Category – I" license for inter State trading of electricity in India

Source: Company

Q3FY23 result summary

(Rs. In Crore)	Q3 FY23	Q2FY23	% qoq	Q3 FY22	% yoy
Income from Operations	380.39	353.43	7.6	89.71	324.0
Cost of Material consumed	-44.70	-49.12	(9.0)	-47.39	(5.7)
Purchases of stock in trade	-286.05	-263.66	8.5	-25.00	1,044.2
Changes in Inventory	-1.71	2.37	(172.2)	3.43	(149.9)
Employee benefits expenses	-3.02	-4.01	(24.7)	-3.19	(5.3)
Other expenses	-5.30	-2.08	154.8	-5.29	0.2
EBITDA	39.61	36.93	7.3	12.27	222.8
EBITDA (%)	10.41	10.45	-4 bps	13.68	-326 bps
Depreciation	-1.74	-1.66	4.8	-1.37	27.0
Finance cost	-3.77	-3.47	8.6	-2.36	59.7
Other income	1.37	2.80	(51.1)	0.93	47.3
PBT	35.47	34.60	2.5	9.47	274.6
Tax	-9.35	-8.72	7.2	-2.61	258.2
Current tax	-9.50	-8.81	7.8	-2.86	
Deferred tax	0.15	0.09	66.7	0.25	
Effective tax rate (%)	26.36	25.20		27.56	
Adjusted PAT	26.12	25.88	0.9	6.86	280.8
Adj. PAT margin (%)	6.87	7.32	-46 bps	7.65	-78 bps
Extra ordinary items	0.00	0.00		0.00	
Reported PAT	26.12	25.88	0.9	6.86	280.8
Equity capital	22.10	21.00	5.2	21.0	5.2
FV	10.00	10.00	-	10	-
No. of equity shares	2.21	2.10	5.2	2.10	5.2
EPS for the quarter	11.82	12.32	(4.1)	3.27	261.8

Source: Company

Refrigerant gases division



Refex is a well-known brand in the refrigerant gas industry for the past two decades. Capitalising on its brand name, the Company intends to extend its geographical presence and portfolio to include innovative and environmental friendly products. This will help to mitigate risks associated with sourcing and environmental policy changes.

The Company began its journey in the year 2002 and successfully broke the monopoly that existed in the refrigerant gas market. The Company was among the first to set up an ISO-certified unit for the refilling of refrigerant gases in India and is specialised in re-filling the environmentally accepted and ozone-friendly Hydro Fluoro Carbons (HFCs), used in airconditioners, refrigerators and refrigerating equipment. Refex has successfully revolutionised its business by launching 'Refex Cans' in the market. The Company is the pioneer in India in supplying automotive air conditioning gases in disposable cans and has an ISO 9001 and 14001 certification for quality standard.

At Refex, HFC gases are procured and filled into different cans. Thereafter, these cans are distributed across India through the established supply and distribution chains. The gases are used in both the domestic and industrial sectors for air cooling, as aerosol propellants, and as blowing agents.

Locations	Details
Re-filling capacity	Tamil Nadu
Distribution	PAN India
Commercial Warehouse	Delhi

Source: Company

Key USPs

- ❖ *Use of disposable cans decreases the freight cost of returned empty cylinders and results in the hassle-free refilling of the gases*
- ❖ *Fully automated facility*
- ❖ *The warehouse in Delhi helps reduce the delivery time to the northern part of the country*

In FY22, the Company increased its refilling capacity to 2,500 MT by procuring more cylinders and tonners and filling lines. The Company recorded a collective sale of 983.4 MT for various gases as compared to 662.80 MT in FY21.

With the objective to increase its outreach, the Company is focusing on strengthening its dealer network across India and venturing into new territories. Furthermore, the Company is also targeting the OEMs and plans to procure high volume and value contracts from the Indian government, mainly from the customs department.

Refrigerant market

The refrigerant market in India is highly skewed with presence of few large organized players that drives nearly 80% of the market, while remaining 20% is catered by regional and organized players that in many cases acts as a sub-vendor to these big players. SRF Limited, Navin Fluorine International Ltd, Gujarat Fluorochemicals Ltd, Stallion Enterprises, etc. are the other major competitors.

The Company strives to ensure that quality is maintained to the utmost degree; the Company has various facilities at its plant to test the materials from time to time. The Company's return percentage has been almost nil over the last 20 years.

Refex primarily caters to the B2B segment. Distributors and Dealers are our immediate customers. We have also begun to establish our presence in the e-commerce sites; however, the quantum of sale is very low, due to lack of awareness in the end user. Residential users particularly, continue to bank on the mechanic/service personnel to identify and replace the product in cooling equipment.

In traditional refrigerant trading business, the secondary market is extremely more valuable and important than the primary market. Except for a few OEM's, trend in the usage of refrigerant products is towards the replacement of such gases in the cooling equipment on a regular basis. The sale usually occurs through the distributor and dealer networks across the country.

Refex is also majorly associated with such vast distributor and dealer networks pan India who deliver our products to the end customer, irrespective of residential or commercial usage. Refex also services the OEM sector, however the quantum of recurring sales from the distributors surpasses the demand from OEMs in the ratio of 3:1.

Navigating challenges of the Refrigerant industry

In March 2022, the Government of India imposed curbs on imports of hydrofluorocarbons (HFCs) in refrigeration & air conditioning to boost domestic manufacturing of the chemicals. With only handful players having R&D expertise in the country it will be difficult for India to meet the domestic requirements without imports. Further, with lack of resources and market preparedness in India regards the refrigerants development, cost of production of refrigerants shall be a costly affair in the current pretext. Hence, the market predominantly is still heavily dependent on importers and the situation remains the same for all importers.

Importers will now have to seek a license or permission from the directorate to import HFCs, for which Refex has successfully obtained multiple licenses for large quantities to be serviced for longer durations of time. The impact of ADD is on all the importers, so there isn't much risk involved here.

Post COVID-19 scenario

The Company's sales increased by 131% in the last few years. Post-covid, the Company witnessed a huge expansion for cold storage systems required for storing capacities. As it became critical to store vaccines, medicines, medical equipment, the demand for refrigeration went up consequently. This surge in demand is continuing throughout the period, along with increase in the demand for residential cooling and motor vehicles. On current date, with companies reverting to work from office culture, demand for commercial cooling is also growing significantly. The overall refrigerant sector is growing at a 15% CAGR across the years, which provides huge scope for Refex to capture further market share.

Looking ahead, the Company has reduced usage of high GWP/ODS products by 20% and are encouraging its dealers/distributors to buy low GWP/ODS products and providing awareness on the impact of GWP/ODS gases. The Company is also on the lookout to add ancillary products related to HVACR in its portfolio, however it is too early to comment on the feasibility.

The Company is very bullish on refrigerant gases and increased its capacity to meet the demand. A storage tank along with 400+ cylinders and cans have been purchased in the current year.

Fly Ash and Coal handling



Source: Company

- 1) Reflex forayed into ash disposal segment with an aim to mitigate the **environmental pollution** caused by the accumulation of ash.
- 2) Termed the **second largest organized player** for ash handling in the country.
- 3) Ash is the by-product from the burning of coal which is the fuel to the thermal power plants. 30-45% of the burnt coal is ash. This ash is full of heavy metals and toxins which if not handled properly could pollute air, land and water bodies. During the running of a power plant, ash is continuously produced and stored in silos which have to be continuously evacuated. The fly ash from the silos is a raw material required for the production of PPC cement, manufacturing of bricks, concreting of infrastructure projects like roads, bridges etc. This fly ash from the silos is transported in closed bulkers. The excess undisposed ash from the silos is then

sent to the ash dyke from where it is evacuated by filling in trucks for mine reclamation, filling of low lying areas, embankments etc. as per the guidelines of Ministry of Mines and Ministry of Environment and Forests (MoEF).

- 4) Handled disposal to the tune of 120 Lakh MT to date in an environmental-friendly manner across various locations utilizing a fleet of bulkers, hyvas, and rail rakes.
- 5) Reflex forayed in to the trading business of coal by supplying it to the thermal power plants located in Chhattisgarh and Maharashtra and has significant foothold in these states.
- 6) Along with coal trading, the Company also started the ash disposal business. Reflex also entered the business of coal crushing and coal yard management services with an aim to provide an uninterrupted supply of coal to run the power plant. The transportation of uncrushed coal happens through trucks and storage of the coal in the coal yard is done in the form of heaps. Then the crushed coal is directly placed in the hopper at the Coal Handling Plant (CHP) and the uncrushed coal is first crushed by passing through a grizzly before being utilised. Furthermore, the un-sized coal is broken into smaller sizes before it goes through this process. To ensure the smooth functioning of the equipment of CHP, Reflex also provides housekeeping services in the conveyor belt surrounding areas, cable trays, trenches, drains and sump pit where the spilled coal is collected and shifted manually with the help of adequate manpower.
- 7) The ash which is generated from the burning of coal in a thermal plant is stored in the silo and later transported to the businesses producing PPC cement. The undisposed fly ash is stored in the dyke and as per the requirement and then it is transported to the road contractors and for mine filling. Reflex procures ash from the leading thermal power plants in the regions of Rajasthan, Maharashtra and Chhattisgarh. Reflex supplies to the major cement manufacturers in Maharashtra, Chhattisgarh, Madhya Pradesh, Rajasthan. Reflex is one of the largest ash disposal companies in Chhattisgarh.
- 8) Reflex provides a comprehensive end-to-end solution that involves handling the flow of coal throughout the plant from one location to another, from coal delivery to feeding into boilers. It has the credit of serving power plants with a cumulative capacity of 2,561 MW in the ash disposal across three states.
- 9) Till date, Reflex has handled the disposal of more than 10 Million Metric Ton (MMT) of fly ash, across various locations utilising a fleet of bulkers, hyvas, and rail rakes.
- 10) **Round the clock services for coal yard management, shifting of uncrushed coal and Housekeeping Works**
 - a) With immense experience in handling ash in large number of trucks and bulkers, company have ventured into providing coal yard management services.
 - b) Uncrushed coal from trucks is first stored in the coal yard in the form of heaps. This coal is then transported and fed into the track hoppers at the Coal Handling Plant area. The un-sized coal which doesn't pass through the grizzly is broken to smaller sizes before it goes through. These services are provided round the clock to ensure sufficient supply of coal to run the power plant uninterruptedly.
 - c) The Company also provide housekeeping services in the coal handling plant (CHP) areas like in the conveyor belt surrounding areas, cable trays, trenches, drains, sump pit where spilled coal is to be collected and shifted manually with adequate manpower to ensure the smooth functioning of the equipment.
- 11) Coal restrictions, the hike in prices of secondary coal and policy changes for imported coal have created a challenging environment. However, the Company is confident of overcoming it and taking this business to the next level in the near future.

Particulars	Location
Procuring ash from power plant	Chhattisgarh, Maharashtra, Rajasthan
Supplying ash to cement plants	Chhattisgarh, Maharashtra, Rajasthan

Source: Company

Key Achievements

- ❖ *Refex has completely emptied the Ash Dyke of 0.43 MMT of Legacy Ash at its client's thermal power project site in Maharashtra over a span of 2 years*
- ❖ *Currently, the Company is disposing-off 12,000 MT of Fly and Bottom Ash on a daily basis*

The Company traded 0.3 MMT of coal in FY22 against 1.1 MMT in FY21. This slump was due to the Indian Government's restrictions imposed on the import of coal during COVID-19, which adversely impacted the coal business. Moreover, the coal crisis was also compounded majorly due to geo-political issues, such as the war between Ukraine and Russia, and conflicts between Australia and China. Additionally, the extension of the monsoon till mid of September resulted in water logging in coal mines, thus leading to their limited functioning. Most of the power plants were under financial stress, which has directly or indirectly resulted in the delay of payment or cancellation of the orders and posed a short-term risk for the business.

Prospects of Coal Trading and Ash handling

Power is important for growth of any country. With India targeting to be a 5 Trillion USD economy, requirement of power is only to grow higher and higher. We all also understand that Renewables have their own set of limitations and thermal power plants are the only source of firm round the clock power generator and supplier. Furthermore, almost 80% of the power requirement is being met through Thermal Power Plants, ensuring continuity of the business in years to come, both for coal trading and ash disposal segments.

The ash industry is booming, with immense pressure on the power plant to ensure timely and safe disposal of ash due to environmental hazards that Ash can cause. Heavy penalties are levied for non-compliance, forcing the plants to onboard strong service providers. The government also started pushing for usage of ash in NHAI projects, and has been releasing tenders regularly for the same. Refex has successfully secured few such tenders and has begun operations.

Competitive intensity in Coal Handling Industry and Ash Disposal segment

Given the regulations imposed by the government on the thermal plants, they are at immense pressure to dispose off ash in a safe and secure manner. The hazards of non-compliance of this could be big and lead to severe penalties and even shutting down of plants. There are massive ash dykes in each of the plant premises, where the disposal is to start off at the earliest or the plants incur penalty.

There is a very high quantum of work, however a dearth of reliable, strong partners for the same. 95% of the ash industry is unorganised and unstructured. Local players have been noticed not to strictly adhere to the safe disposal norms, neither do they have the appetite to absorb the penalties. Hence, major thermal chains are scouting for organised players to efficiently handle their disposal process. Refex is a top-notch organised player in the Coal & Ash sector across India, and has identified opportunities where significant value could be created by providing solutions for the effective disposal of Ash, and aggressively working towards receiving the orders. Refex has also been successful in emptying the ash dykes at some of the plant locations.

Since coal orders are tender based, the competition is extensive and cutthroat, which narrows down the bid prices. However, continuous supply of coal without interruptions, along with ancillary value-added services provided by Refex differentiates us amongst the players.

Fly Ash Handling and disposal operations

The ash which is generated from the burning of coal in a thermal plant is stored in the silo and later transported to the Cement Producers. The undisposed fly ash is stored in the dyke and as per the requirement and then it is transported to the road contractors and for mine filling. Refex supplies to the major cement manufacturers in Maharashtra, Chhattisgarh, Madhya Pradesh, Rajasthan.

Therefore, Refex provides a comprehensive end-to-end solution that involves handling the flow of coal throughout the plant from one location to another, from coal delivery to feeding into boilers.

Refex owns a massive fleet (tippers and trailers inclusive) of vehicles deployed at each of the thermal plants. And a strong, capable team to handle the operations efficiently at the grass root level. Where necessary, we also employ third-party contractors, however the quantum dealt is relatively low.

Refex is currently involved in the removal of over burden from a captive Lignite mine in Rajasthan. 11 Lakh MT of Lignite has been excavated from 86 lakh cubic meters of the mine so far

High entry barrier in the logistic segment

The Company has developed long standing relationship with its customers and knows the requirements of the same and has adapted over the years. The company has been coming up with innovative solutions such as Reverse logistics where same rail tracks are used for coal delivery to power plant and then for collection and logistics of fly ash handling and trading. The company has gained operational efficiency as evident from the improving EBITDA margins.

Challenges and government regulations faced by the Company in the Ash Disposal segment

Ash being a health and environmental hazard, is mandated to be disposed off safely and efficiently. The Indian Government has introduced a penalty regime applicable effective from April 1, 2022 for non-compliant thermal power plants based on the 'polluter pays' principle.

The non-compliant powerplants will be required to pay environmental compensation of Rs 1,000 per tonne on unutilised ash during the end of every financial year. This is in fact a beneficial situation for Refex, as it forces the thermal plants to engage reliable service providers. The Company sees it as an added opportunity. The Company also ensures that the disposal is not done in unidentified and unapproved areas. For mine filling, the Company needs licenses from relevant government authorities, which it obtains lawfully.

Future outlook

The Company has substantially increased its daily Ash disposal capacity by the addition of its own fleet. The Company is maintaining very good relationship with majority of the cement plants, NHAI etc. where the disposal is being done. The Company has on boarded three new power plants during the year and started ash disposal operations, with few more in the pipeline. The Company will continue to increase the fleet in the existing plants and establish the fleet in the newer plants. However, since coal trading is based on tenders, it is too early to comment.

Industry overview

Coal

According to the Ministry of Coal, Government of India, coal accounts for 55% of the Country's energy needs. During the first half of May 2022, total coal production increased to 33.94 MMT achieving a growth of 36.23% over the production of 24.91 MMT during the same period last year.

According to International Energy Agency (IEA), India has the world's third-largest hard coal reserves after the United States and China. The quality of coal in India is generally low in sulphur and calorific value and high in ash content. The largest consumers of coal are the power sector, the iron & steel sector and the cement industry. Other industrial consumers include textile, fertiliser, brick industries, paper manufacturers and pharmaceutical industries. However, coal production in India is insufficient to cope with the growing demand for electricity and industrial energy. Though coal production is growing annually, consumption is growing at a faster rate, thus widening the gap. Being one of the most affordable sources of energy, coal will stay as the major source of energy in the future despite the push for clean energy resources. The transition speed to clean energy resources will depend on the right policy mix. Right now, India is the third-largest global emitter of CO₂, therefore India needs to transition toward cleaner energy resources but as long as the consumption demand for coal increases, the production also will increase. Therefore, replacement of coal is very difficult for at least the next 10 years as India is looking to ramp up the output of domestic coal to strengthen energy security and reduce the dependence on the import of fossil fuels, to avoid a shortage of coal for the Country's power utilities and to maintain the buffer stocks.

Future outlook

As part of the Paris Climate Agreement, India has committed to achieve 40% of its electricity generation capacity from non-fossil fuels by 2030 to a cleaner energy resource. India has plans to expand the use of gas as its energy mix, the target of the current government is 15% share of gas in its energy mix by 2030. As the nation ramps up its renewable energy capacity, the coal market growth is expected to reduce in the future. It is envisaged to bring about 30,000 Ha of additional land (in and around coal mining areas) under green cover by plantation of around 75 million trees by 2030. As coal mining has been opened up for private players as well this will help bring efficiency, investment

and technology creating further job opportunities. So far, 28 coal mines have been successfully auctioned. Out of these, 27 coal mines have been auctioned to private companies. The auction process for 88 coal mines is underway.

Fly Ash

Thermal power generation using coal or lignite has remained the primary source of new power capacity in India. Indian coal is comparatively a low grade material with an ash content of between 24% & 63% as against imported coal with ash content in the range of 2%-18%. As a result, thermal power plants that use domestic coal/lignite produce a significant amount of ash.

Key Fly Ash applications

Industry/end use segment	Application of Fly Ash
Cement Manufacturing	<ol style="list-style-type: none"> 1) As a partial replacement of portland cement since it contains substantial percentage of silica, alumina and lime 2) Concrete made from ash can be suitably utilised in coastal atmosphere as it is stronger and more durable than traditional concrete and is less susceptible to chemical attack
Reclamation	<ol style="list-style-type: none"> 1) Bottom ash can be utilised for filling low lying areas 2) Reclamation of sea
Construction	<ol style="list-style-type: none"> 1) Construction of roads & embankment
Construction material	<ol style="list-style-type: none"> 1) Manufacture of bricks which are light weight and stronger than common burnt clay bricks 2) Manufacture of pavement blocks/tiles normally used for laying hard, durable and attractive flooring in the courtyards, pavements, walkways, car parking etc.
Agriculture	<ol style="list-style-type: none"> 1) To improve crop yield as it contains micronutrients like phosphorus, potassium and calcium, improves water holding capacity and soil aeration 2) Reclaim saline alkali soil thereby saving gypsum
Thermal Power	<ol style="list-style-type: none"> 1) Used for raising ash dyke

Future outlook

To safeguard the environment, the Indian Government has introduced a penalty regime applicable effective from April 1, 2022 for non-compliant thermal power plants based on the 'polluter pays' principle. The non-compliant power plants will be required to pay environmental compensation of Rs. 1,000 per tonne on unutilised ash during the end of every financial year. The fine collected by the Central Pollution Control Board will be used for the safe disposal of the unutilised ash and also for research on the use of ash for ash-based products.

Power trading



- 1) In order to expand its business footprint and tap the market potential, Refex has diversified itself into carrying out the business of purchasing and selling all forms of electrical power/energy (which includes both conventional and non-conventional) among power users, producers, state electricity board, generating companies, and all other traders, including import and export of electricity, as well as supply and trading of electrical power in all States and Union Territories in India.
- 2) Refex was granted the Category-I Power Trading licence from the Hon'ble Central Electricity Regulatory Commission (CERC) in March 2022. This licence is valid for a time span of 25 years and it allows the Company to trade in the electrical sector with no upper cap on the total volume of electricity, which it could trade annually. It has Category I Inter-State electricity trading license for the purchase and sale of both thermal and solar power
- 3) In addition to this, the Company has opted for the membership of Power Exchange India Limited. The business has been operational from the time the license of power trading has been granted (in the month of March 2022).
- 4) The Company has traded >1000 MUs across Uttar Pradesh, Delhi, Haryana, Tamil Nadu, & Gujarat
- 5) Transacted with State DISCOMS like Haryana, Punjab, Himachal Pradesh, and Tamil Nadu. Also, has a mandate from various other DISCOMs on the supply of power as per their requirements
- 6) Has transacted with suppliers like Sembcorp, DBPL, Jhabua Power, JITPL, and Adani Power for the supply of power on a requirement basis
- 7) Supplied sizeable units to Commercial & Industrial consumers that include leading Hotels, Steel, Chemical, Pulp & Paper, and Cement plants

Solar Power

Refex entered into a power purchase agreement in October 2010 with NTPC Vidyut Vyapar Nigam Limited for the purpose of setting up a 5MW Solar Power at Balmer District, Rajasthan. This was done to take the advantage of opportunities available in the renewable energy sector. For the execution of the project, Rajasthan Government has leased land and entered into a Solar Energy Equipment Operation Lease Agreement with Essel Mining Limited.

The Company also provides consultancy services like technocommercial feasibility study for power evacuation systems, labour services for EPC contracts with respect to the solar business. Additionally, Refex had carried out the business of trading in the field of solar accessories, i.e., solar modules among its group entities, which are in the business of solar power plants.



Industry overview - Solar Energy

Solar Energy is one of the abundant sources of renewable energy and is used worldwide commercially for electricity generation, heating and desalinating water. The global solar power installed capacity stood at 843,086 MW in 2021. Amongst regions, Asia that accounted for 57.19% of global solar installed capacity at about 485,848 MW in 2021, has the highest solar installed capacity in the world. Within Asia, countries like China, Japan, India, the Republic of Korea and Vietnam are the top 5 countries in terms of installed capacity of solar power. India is endowed with vast solar potential. In 2022, India has been positioned as the 5th largest solar power installed capacity Country.

The solar PV segment is dominating the Indian solar energy market as PVs are cheaper than other solar technologies along with a simplified installation procedure. During FY 2021-22, Ministry of New and Renewable Energy (MNRE), Government of India approved a Production Linked Incentive (PLI) Scheme, with the name of 'National Programme on High-Efficiency Solar PV Modules' with an outlay of ` 4,500 crore. To enhance domestic manufacturing capabilities and exports, the scheme has various provisions to support the set-up of integrated manufacturing units of high-efficiency solar PV modules by offering PLI on sales of such solar PV modules.

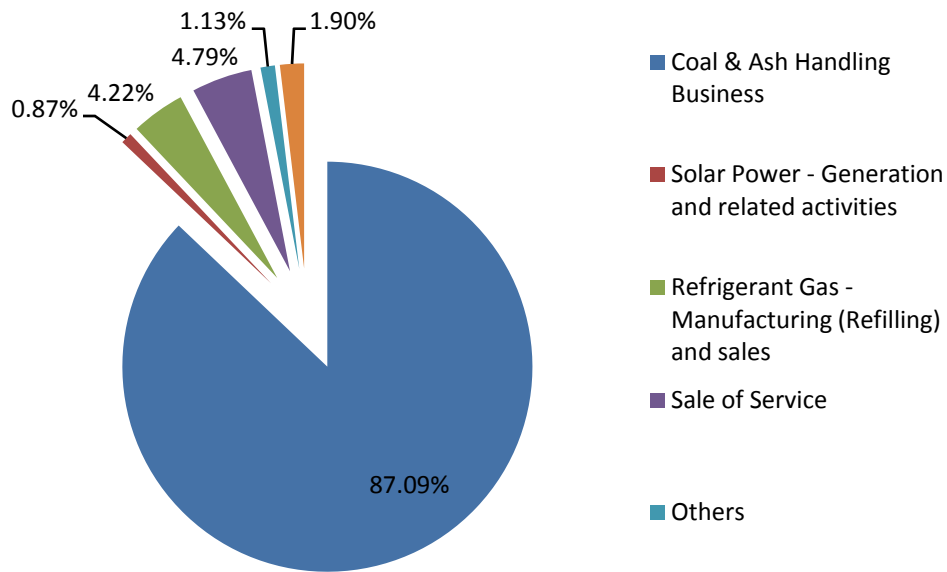
Various schemes such as the Solar Park Scheme, the 300 MW defense Scheme, the 500 MW of Viability Gap Funding Scheme, etc. have been introduced by MNRE to promote solar energy in the last three years.

Drivers & Opportunities

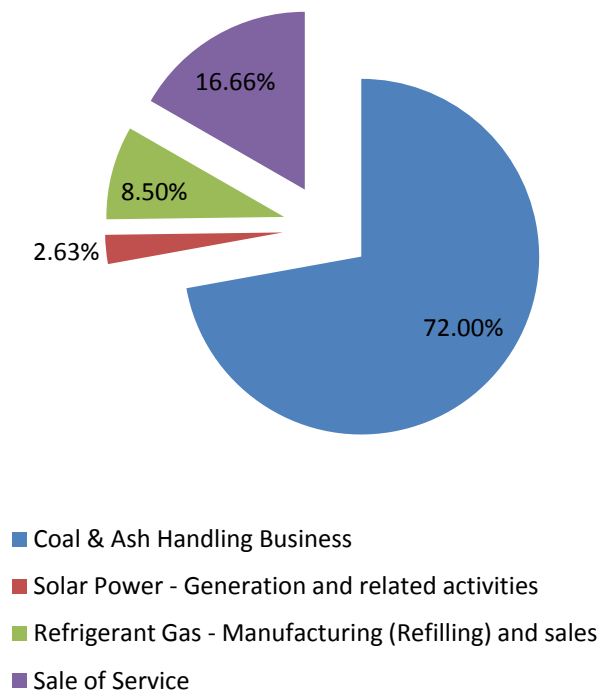
The key growth drivers of the Indian solar sector are the declining cost of solar power technology, the flexibility of these systems, and a greener method of power generation. However, the solar energy market is hampered by issues like T&D losses (Transmission & Distribution) and unpredictability in a continued power supply. Solar PV are the most popular medium of energy generation as they include an easy installation process and are significantly cheaper than any other solar technologies available. Also, the abundance of solar energy that India receives throughout the year along with foreign investment, technology and government initiatives have helped in driving the growth of the solar energy market in India.

Segment wise performance

Revenue mix as on 9MFY23



Revenue mix - FY22



Digitalisation

Refex aspires to focus on digitalisation efforts in the following areas:

- 1) Strengthening the existing operational channels into a digital network:
- 2) The Company's medium strategy is to bring its customers over a single platform, thereby giving them the opportunity to explore its offerings seamlessly.
- 3) The Company has partnered with multiple e-commerce platforms to sell our refrigerant gas products.

Making use of Analytics on end-to-end value chain

To harness all the data available and streamline them into key decision making metrics for the businesses, thereby becoming agile. Such actions will strengthen its decision support system and also lead it to take proactive measures.

Initiation of the process to bring all of its transactional information across different functions over the digital mode and in the coming years, it will be in a better position to initiate analytics based interventions so as to improve the process further.

Improving operations efficiency

Steps towards transforming business processes, improvising logistics, and also reducing manual tasks by making use of digital interventions

Leveraging digital capabilities like AI or IoT

Access to voluminous data will also make way for making use of AI based interventions. Some of its planned initiatives to better track its operations are in line with the IOT-based digital interventions that are being brought to use by several businesses across the world.

Board of Directors



Mr. Anil Jain - Chairman cum Managing Director

Mr. Anil Jain is a first-generation entrepreneur and is well known as an industrialist, investor, and philanthropist. Anil has grown his businesses into many successful diversified venture units with the purpose of creating sustainable solutions and providing environment-friendly energy alternatives in India. He has led his team for more than 20 years. He has also started an Incubation Centre in Chennai to provide support to budding entrepreneurs and their ventures. Refex Capital, a Category-I Alternate Investment Fund, was set up to invest in promising startups working in the arena of technology. It has invested in over 30 startups across diversified business areas. In his personal capacity, too, Anil has nurtured and mentored several startups and enjoys doing so.

In the past, he has held the office of President of the JITO Administrative Training Foundation (JATF), an NGO that seeks to strengthen the nation by giving deserving students opportunities for mentorship. He was also instrumental in setting up the angel investment & incubation Center of JITO for pan-India operations when he was the Secretary General of Jain International Trade Organization. Mr. Anil Jain has also been bestowed with several industry awards for his contribution to the business fraternity and management excellence.



Mr. Dinesh Kumar Agarwal - Non - Executive Director

Mr. Dinesh Kumar Agarwal has honed his entrepreneurial skills across several business domains and has always been successful in all his business endeavours. Dinesh's expertise with numbers has helped several businesses to move up in the growth trajectory and his business acumen in Corporate Finance spanning Audit, Financial Accounting and Planning, Tax and Fundraising has helped raise over ` 5,000 crores (Equity + Debt) for clients. Dinesh has made a significant difference to our business since he joined us in 2014. His expertise combined with his passion and zeal to grow Refex business reflects in the growth journey. In the past, Dinesh has worked with reputed organisations like Aircel and Brisk, specialising in streamlining internal processes and functions. He has diverse experience of working in Solar EPC segments and Utility-scale projects. He has also worked with consulting for start-ups, SMEs, established Corporate Houses, and International NGOs. Dinesh has received several industry recognitions for his contribution to management stream and related areas.



Ms Susmitha Siripurapu - Non Executive Director

Ms Susmitha Siripurapu is an accomplished Strategy and Program Management professional. She holds a Bachelors in Engineering degree from Osmania University with a specialization in Computer science. Post which, she worked in Consulting verticals with the BIG 4's and helped large, multinational corporates optimize and digitalize the lease administration and accounting processes in their capital projects, optimize their facilities, and re-size their real estate portfolios. After 3 years of Consulting exposure, she pursued her Master's in Business Administration from HEC Paris and Duke University. Ever since, she has been working in strategy roles and gained hands-on experience in developing data-driven strategic and managerial initiatives and ensuring timely and within-budget implementations. She possesses a demonstrated record in building strong leadership networks, collaborating across countries, and enabling high-performance operating models/teams across diversified industry verticals. She has proven to be adept at leveraging analytics for decision-making, formulating strategies for growth, improving efficiency in operations, and developing advanced reporting structures.



Mr. Krishnan Ramanathan - Independent Director

Mr. Krishnan Ramanathan is an Advocate, Member of the Bar Council of Tamil Nadu. He graduated in Bachelors in Law in 1990 from the University of Madras and started practicing as an advocate until 1999. He entered the Judicial service as a Judicial Magistrate in 1999 for the regions of Madurai, Arcot, Tiruvallur, Chennai etc, handling criminal cases predominantly. In 2011, He then moved to the role of a Senior Civil Judge Handling Tax related cases, specifically corporation tax and Sales tax for Vellore and Chennai regions. From 2012 to 2016, he served as a Joint Secretary in the Law Department, Government of Tamil Nadu. In September 2016, Mr Krishnan Ramanathan served as the District Judge. And served as the Sessions Judge in Bomb blast court, Chennai at Poonamallee. From May 2017 till 2021, he served as an Additional District and Sessions Judge handling Civil & Criminal Cases at Chengalpattu. Post retirement, he resumed practice as an advocate.

Mr. Krishnan Ramanathan has extensive knowledge due to his vast experience handling sensitive cases as well as in administrative capacity. He has completed Master of Law and did Ph.D. from Madras university. His decades of experience in legal practice and Profession in various fields of law have won him several accolades and deep admiration and respect from the legal fraternity



Mr. Ramesh Dugar - Independent Director

Mr. T. Ramesh Dugar is Director of Dugar group of Companies. He has completed his B.Com Graduation from Loyola College, Chennai and has also attained his diploma programme certification in Marketing Management from Loyola Institute Business Administration. His forte is in the field of finance and investment. Mr T. Ramesh Dugar is into the property development domain and also has established a name for himself in the real estate market. In addition to the above he acts as a trustee for K C Chellammal Charitable Trust and N T Dugar Foundation.

He is currently an active director in Dugar Finance & Investments Ltd, Kiwi Entertainment Vistas Ltd, Goodworth Properties Pvt Ltd and also a partner in Dugar Infrastructures. His continuing guidance has helped with effective leadership in relation to the Company's strategy, performance, and risk management as well as enduring high standard of corporate governance which has led them to thrive in competitive markets. His Achievements also include holding the position of Vice Chairman of Hindustan Chamber of Commerce, one of the prestigious commerce chambers in India and being an active Vice chairman of All India Manufacturers Organization. He was also the chairman of South India hire purchase Association and Madras Hire purchase Association.



Mr. Pillappan Amalanathan - Independent Director

Mr. Pillappan Amalanathan is an Advocate, Member of the Bar Council, Tamil Nadu. He had completed his graduation Bachelor of Commerce in the year 1984 from University of Madras. He pursued his Bachelor of Law and became the Member of Bar Council of Tamil Nadu in the year 1990. He was standing counsel for Tamil Nadu Industrial Investment Corporation Ltd. for three years, from 1996 to 2000 and was instrumental in defending the Corporation in several cases including suits and writ petitions. He was also the Standing Counsel for Chennai Municipal Corporation from 2001 to 2006 and 1640 cases relating to Food Adulteration and building permit violation the Corporation have been dealt with and disposed of. He have been the panel advocate and have appeared for certain Banks in several cases before the Debt Recovery Tribunal and other courts.

He appeared in many cases relating to political fronts, commercial matters for several private concerns and companies including matters relating to Company Law such as winding up, amalgamation and reconstitution and have advised on company formation, tax planning, pre-litigation settlements, international contracts formation and so on.

He has an established independent practice for the past 20 years with a well-equipped library, office and three junior associates. I have thus had wide exposure and experience in diverse fields of law and enjoy a good reputation in the Bar.

Key risks and concerns

A significant portion of Fly Ash Handling and disposal operations are conducted through third party contractors..

The Company engages third party contractors for ash disposal from pit head to loading points, transportation of materials, loading of coal on wagons and a range of activities ancillary to its Ash Handling and disposal operations. Under its operating agreements with the third party contractors, the contractor is responsible for providing substantially all equipment, labour and management required for Ash Handling and disposal operations from the designated power plants to cement plants. The Company is required to pay the contractors for their services according to specified rates fixed by it. The Company is exposed to the risks relating to the quality of the services, equipment and supplies provided by contractors necessitating additional investments by us to ensure the adequate performance and delivery of contracted services and cost overruns. Any failure by our contractors to comply with their obligations under their operating agreements, any termination or breach of our operating agreements by our contractors, any protracted dispute with a contractor, any material labour dispute between our contractors and their employees or any major labour action by those employees against our contractors could materially adversely affect our fly ash disposal operations. The Company may also not be able to recover from a contractor any losses that may be suffered by the Company due to any performance shortfalls of its contractors.

The refrigerant gas business is seasonal which may adversely affect the demand for its products..

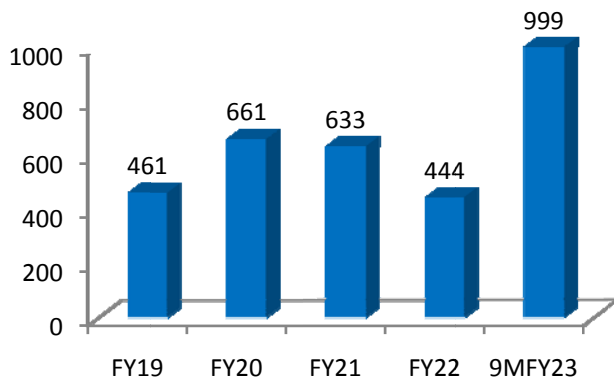
A significant majority of its sales take place immediately prior or during the summer months, and any adverse weather conditions or natural disasters during such peak sales seasons may materially and adversely affect its sales, results of operations and financial condition. In addition, the Company's sales may be affected by unforeseen circumstances that affect production during such peak periods, such as any downtime to production due to breakdown of equipment, shortage of raw materials, interruptions in power supply and other utilities, inadequate inventory planning and other interruptions to timely production and delivery of its products to its customers. The Company generates majority of its revenue for the refrigerant gas business from the months of February to May.

High supplier and geographical concentration risk in the revenue profile

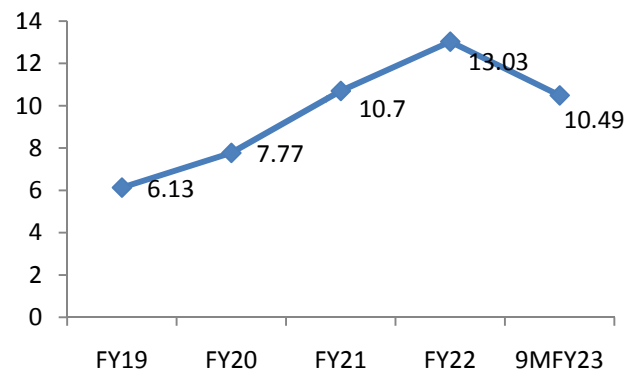
The Company procures both domestic and imported coal from the traders for trading activity as per the demand from its customers. It can be observed that the top 10 suppliers are contributing nearly 70-75 per cent to the total purchases in FY2021. Indermani Minerals India Private Limited, one of the major supplier of RIL has been contributing more than 50 per cent of the total purchases in the same period, thereby depicting high supplier concentration risk in revenue profile. In terms of geography wise revenue, it can be observed that a single state i.e. Chhattisgarh has been contributing more than 75 per cent of the total sales in the FY2021 thereby depicting high geographical concentration risk in revenue profile. The revenue from Chhattisgarh is high on account of presence of its major customer KSK Mahanadi Power Company Limited in the state of Chhattisgarh. (Source: Acuite Ratings & Research rating report as on Jan. 19, 2022)

Story in charts..

Revenue from operations (Rs. in Crore)

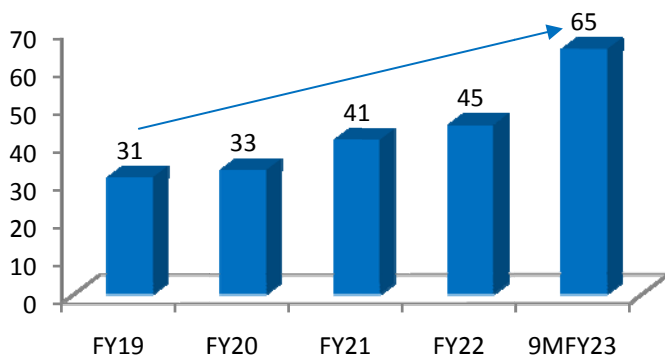


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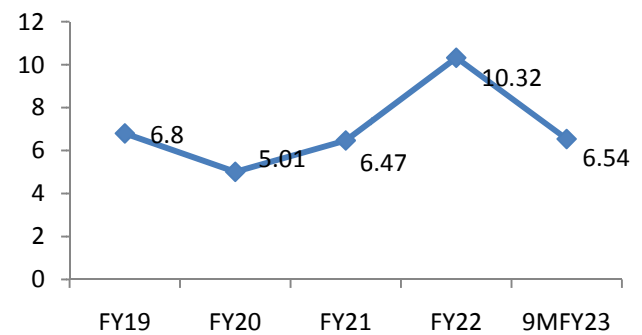


Source: Company

Net Profit (Rs. in Crore)

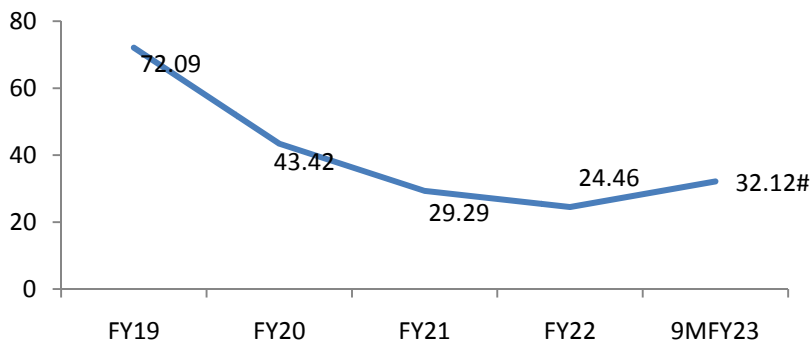


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Source: Company

Return on Net worth (%)



Source: Company

Balance Sheet Summary (Rs. in Crore)

Particulars	H1FY23	FY22	FY21	FY20
ASSETS				
Non Current Assets				
a) Property, Plant and Equipment	24.65	19.89	15.30	14.92
b) Right of use assets	62.82	65.08	71.49	7.02
c) Intangible	0.04	0.05	-	-
d) Capital Work in Progress	-	0.39	-	-
e) Non - current financial assets				
- Investments	75.06	74.0	74.05	0.05
- Trade receivables	-	-	-	-
- Other non current financial assets	7.0	7.0	7.0	7.0
f) Deferred Tax Assets	2.01	1.0	2.65	1.83
g) Other Non Current assets	0.10	0.06 472	-	-
Current assets				
a) Inventories	7.98	7.46	5.48	3.18
b) Financial Assets				
- Trade receivables	141.27	116.42	92.95	72.27
- Cash and cash equivalents	1.82	0.28	17.24	20.95
- Bank Balances other than above	-	-	-	-
Other current financial assets	117.94	81.30	50.43	2.71
Current Tax Assets (Net)	-	-	-	-
Other current assets	31.66	7.99	4.80	8.03
Total Assets	472.40	380.93	341.39	137.96
EQUITY AND LIABILITIES				
Equity				
Equity Share Capital	21.00	21.00	21.00	15.48
Other Equity	202.21	162.96	118.57	60.38
LIABILITIES				
Non-current liabilities				
Financial Liabilities				
1) Long term Borrowings	0.73	1.02	0.09	-
2) Lease liability	58.16	59.30	63.18	6.13
3) Deferred Tax Liabilities	-	-	-	-
4) Long Term provisions	1.046	0.80	9.48	6.09
Current liabilities				
a) Financial Liabilities				
1) Short term borrowings	30.18	14.05	0.02	1.72
2) Lease liability	10.62	10.72	10.86	1.16
3) Trade payables				41.20
-Total outstanding dues of micro enterprise and small enterprises	5.91	2.96	3.76	
-Total outstanding dues other than micro enterprise and small enterprises	85.94	74.29	96.62	
-Other financial liabilities	0.05	0.05	-	0.55
4) Other current liabilities	56.54	33.75	17.80	5.24
Total Equity and Liabilities	472.40	380.93	341.39	137.96

Source: Company

One year price movement chart



Source: Moneycontrol

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Buy – Absolute return of 20% and above

Accumulate – Absolute return between 15% and above

Book profits - On achieving the price target given in the research report for a particular Company or on a occurrence of a specific event leading to change in fundamentals of the Company recommended

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