

Captain Tractors Private limited (Revised)

February 01,2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	0.75	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Assigned
Long Term / Short Term Bank Facilities	25.50	CARE BBB-; Stable / CARE A3 (Triple B Minus; Outlook: Stable/ A Three)	Assigned
Total Bank Facilities	26.25 (Rs. Twenty-Six Crore and Twenty-Five Lakh Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to bank facilities of Captain Tractors Private Limited (CTPL) derives strength from the extensive experience of its promoters and established track record of operations in the compact mini tractor industry, diversified geographical presence with a strong dealer network, growth in scale of operations along with moderate overall gearing and debt coverage indicators, and adequate liquidity.

The above rating strengths, however, are partially offset by CTPL's modest profitability, moderate capacity utilisation level, working capital intensive nature of operations and close linkage of its growth with the agriculture sector.

Key Rating Sensitivities

Key Positives (Factors that can lead to positive action/upgrade)

- Significant growth in its TOI to above Rs.250 crore while maintaining its profitability and debt coverage indicators on a sustained basis.
- Reduction in overall gearing below unity level on a sustained basis.

Key Negatives (Factors that can lead to negative action/downgrade)

- Deterioration of overall gearing beyond 2 times.
- Elongation of its working capital cycle beyond 130 days.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters along with established track record of operations

Incorporated by Mr. G.T. Patel and Mr. M.T. Patel in the year 1994, CTPL is the India's first Mini tractor manufacturer. CTPL is currently managed by Mr Kailash Patel. He has around 15 years of experience in the industry. Over the years, CTPL has launched a range of mini tractors and implements for ploughing, land preparation, sowing, crop care, etc., which are marketed through a network of 137 dealers across 15 states in India. CTPL also has a well-established vendor base of around 250 auto ancillary units spread across India.

Continuous growth in scale of operations

CTPL's TOI has increased y-o-y with steady expansion of dealer network and launch of new models. During FY21 (refers to the period April 01 to March 31), CTPL's TOI grew by 42% y-o-y to Rs.133 crore on account of growth in sales volume of tractors and implements by 42% (4,660 tractors) and 13% (1,338 implements) respectively. The growth trajectory continued in 7MFY22 and CTPL reported TOI of Rs.94.36 crore.

Moderate capital structure and debt coverage indicators

CTPL does not have any major LT debt and total debt consists primarily of working capital bank borrowings and unsecured loans from promoters. CTPL's capital structure has improved consistently during last three years marked by an overall gearing of 1.43 times as on March 31, 2021 (2.20 times as on March 31, 2019) due to accretion to reserves and stable total debt levels.

As per the sanction terms, unsecured loans to the extent of Rs.9.19 crore has been considered as a part of tangible net worth as it is subordinated to bank borrowings.

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

Debt coverage indicators remained stable marked by interest coverage of 2.36x in FY21 (2.46x in FY20) and total debt to PBILDT of 5.07x as on March 31, 2021 (2.72x as on March 31, 2020).

Key Rating Weakness

Dip in profitability with increase in selling and distribution overheads

CTPL reported average PBILDT margin of around 9.16% during last three years ended March 31, 2020. However, it's PBILDT margin declined by 290 bps y-o-y to 4.48% in FY21, primarily on account of increase in selling and distribution overheads following intense competition in the segment. PAT margin, however, improved marginally to 0.90% in FY21 due to reduction in interest cost.

Moderate capacity utilisation levels

Although the capacity utilisation level of tractor assembly and manufacturing implants has increased y-o-y with launch of new tractor models and implements, it still remains moderate between 40-50%.

Working capital intensive nature of operations

Expansion of dealer network and launch of new models has resulted in increase in raw material inventory and working capital intensity during last three years. The operating cycle, however, has improved from 128 days in FY20 to 97 days in FY21 with increase in scale of operations. Moreover, a large part of CTPL's working capital is blocked in the form of GST input credit. As on March 31, 2021, due from government department was Rs.7.70 crore, increased from Rs.4.54 crore as on March 31, 2020.

Dependence on the seasonal agricultural industry and increasing competition

The demand for tractors is largely seasonal and mainly seen as a derivative of the rural economy and farming, which is sensitive to monsoons, farm output, availability of finance and crop prices. Moreover, CTPL also faces intense competition established players in the tractor segment.

Liquidity analysis: Adequate

CTPL has adequate liquidity marked by low LT debt repayment obligations, free cash and bank balance and liquid investments of around Rs.2.51 crore and moderate working capital cycle of 97 days as on March 31, 2021. CTPL has low receivable period and outstanding debtors for more 120 days as on December 31, 2021 are nil. Moreover, as against scheduled debt repayment obligation of Rs.1.50-1.74 crore in FY23-24, CTPL reported GCA of Rs.3.78 crore in FY21. Nevertheless, the reliance on bank borrowings has remained high marked by average utilisation of its fund-based working capital facilities at around 90% during the trailing 12 months ended November 2021.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Rating Outlook and Credit Watch](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity analysis of Non-financial Sector Entities](#)

[Rating Methodology - Manufacturing Companies](#)

[Criteria for Short Term Instruments](#)

About the Company

Incorporated in 1994, Rajkot-based CTPL is engaged in manufacturing of Mini tractors and implements. The company markets its tractors under its 'Captain' brand.

The company was previously known as Asha Exim Pvt Ltd which was founded by two farmer brothers G T Patel and M T Patel. CTPL has an installed capacity of manufacturing and assembling 8,000 tractors and 7,000 implants per annum.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	7MFY22 (P)
Total operating income	94.02	133.22	94.36
PBILDT	8.97	5.83	5.91
PAT	0.57	1.20	1.19
Overall gearing (times)	1.51	1.43	1.37
Interest coverage (times)	2.46	2.36	2.13

A: Audited P: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	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based-LT/ST		-	-	-	25.50	CARE BBB-; Stable / CARE A3
Term Loan-Long Term		-	NA	Sep 2023	0.75	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	Fund-based-LT/ST	LT/ST *	25.50	CARE BBB-; Stable / CARE A3				
2	Term Loan-Long Term	LT	0.75	CARE BBB-; Stable				

* 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	Fund-based-LT/ST	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](#)

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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