

Cool Caps Industries Limited (Revised)

December 12, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	41.55 (Enhanced from 9.37)	CARE BB; Stable (Double B; Outlook: Stable)	Rating removed from ISSUER NOT COOPERATING category and Revised from CARE B; Stable; (Single B; Outlook: Stable)
Long Term / Short Term Bank Facilities	2.70 (Enhanced from 0.20)	CARE BB; Stable / CARE A4 (Double B; Outlook: Stable/ A Four)	Rating removed from ISSUER NOT COOPERATING category and Revised from CARE A4; (A Four)
Total Bank Facilities	44.25 (₹ Forty-Four Crore and Twenty-Five Lakhs Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE had put the ratings assigned to the Bank Facilities of Cool Caps Industries Limited (CCIL) under issuer not cooperating vide its press release dated December 14, 2021 as CCIL had not provided the required information. On submission of requisite information by the company, CARE has re-assigned ratings to its bank facilities.

For arriving at the ratings, CARE has taken consolidated approach as the company has three wholly owned subsidiary namely Purv Ecoplast Private Limited, Purv Packaging Private Limited & Purv Technoplast Private Limited acquired in FY21. The rating assigned to the bank facilities of Cool Caps Industries Limited is constrained by short track record of operations of the company, susceptibility of profitability margins to volatility in prices of raw materials, leveraged capital structure, working capital intensive nature of operations, seasonal volatility due to packaged mineral water and soft drinks sales being higher in summer, fragmented nature of industry, high exposure to group entities and upcoming debt funded capex. However, the rating continues to derive strength from the experience of the promoters, growth in scale of operations with satisfactory profitability margins and satisfactory debt service coverage ratios.

Rating sensitivities

Positive factors –

- Increase in scale of operations of over Rs.150 crores on a sustained basis while sustaining PBIDT margins at 15%.

Negative factors –

- Any significant cost or time over run in the ongoing and upcoming projects.

Detailed description of the key rating drivers

Key rating weaknesses

Relatively short track record of operations of the company

The company has 3 manufacturing units – Unit 1 in Howrah, West Bengal for manufacturing of Plastic Caps & Closures; Unit 2 & 3 in Kotdwar, Uttarakhand for manufacturing of Plastic Caps & Closures, Preforms and Handles. Unit 1 is operational since 2017. The Kotdwar unit 2 was set up in August 2020 while Unit 3 was set up in June 2022. Therefore, the company has relatively short track record of operations.

Susceptibility of profitability margins to volatility in prices of raw materials: The prices of the key raw materials, polypropylene granules, are highly volatile as it is a crude oil derivative. Profitability of the company remain susceptible to such volatility. This is also reflected in deterioration in PBIDT margins from 23.02% in FY21 to 16.19% in FY22 and further to 13.18% in H1FY23 despite partial passthrough of raw material price volatility to end customers.

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

Leveraged capital structure despite equity infusion in FY22

In March 2022, the company raised Rs.10.24 crore on net basis through issuance of 30.6 lakh equity shares issued through Initial Public Offering (IPO) at a face value of Rs.10 per share with share premium of Rs.28 per share (Gross equity issue: Rs.11.63 crore and expenses for equity issuance is Rs.1.39 crore). Although capital structure improved due to equity issuance with overall gearing ratio of 1.25x as on March 31, 2022 as against 1.66 as on March 31, 2021, it continues to remain leveraged. The proceeds from equity issue was utilized for working capital purpose. As on Sep 30, 2022, the overall gearing ratio moderated to 1.59x.

Working capital intensive nature of operations

Since the industry is seasonal, the company has to maintain around 60 days of inventory for CSD caps (for Soft drinks) during year end before the peak summer season and the same reduces to around 7 days with the onset of winter. Moreover, the inventory days for preforms (Kotdwar unit) remains at around 45 days. The company has to extend around 90 days of credit to its customers whereas it sources its raw material like plastic granules from Haldia Petrochemicals Ltd & Reliance Industries in cash. Accordingly, the operations of the company is working capital intensive in nature and the same is mainly funded through working capital limits.

Seasonal volatility due to packaged mineral water and soft drinks sales being higher in summer:

The company's major sales of its products are made to packaged mineral water supplier companies and soft drinks providers. The sales of these items are at peak in summer seasons and lower in winter seasons as per industry practices. As the company products are supplied to these vendors, their major sales are done in summer seasons and lesser sales in winter seasons.

Fragmented nature of industry

The market for the products is competitive on account of both the organized and unorganized players. Players in this industry generally compete with each other on key attributes such as technical competence, quality of products, distribution network, pricing and timely delivery. Some of the competitors have longer industry experience and greater financial, technical and other resources, which may enable them to react faster in changing market scenario and remain competitive.

High exposure to Group Entities

As on March 31, 2022, the company's fund and non fund based exposure (including corporate guarantee given) stood at Rs.26.06 crore which comprise 86% of Tangible Net worth. Major exposure is in Purv Flexipack Pvt Ltd.

Upcoming debt funded capex

The wholly owned subsidiary, Purv Technoplast Private Limited has an ongoing project of washing, cleaning and crushing of PET bottles to produce food grade flakes in Guwahati, Assam at a project cost of Rs.48 crore to be funded through term loan of Rs.28 crore and rest through promoter funds.

Apart from the same, the company plans to set up another plastic cap & CSD cap manufacturing unit in Guwahati, Assam, Purv Ecoplast Private Limited (subsidiary) plans to set up a RPET granules manufacturing facility from flakes (PET bottle recycling) sourced from Purv Technoplast Pvt Ltd in Guwahati, Assam and Purv Packaging Private Limited (subsidiary) plans to set up a project of Manufacturing of LD films with IBC technology at Nalbari, Assam.

Key rating strengths**Experienced promoters**

The promoters, Mr. Rajeev Goenka and Mr. Vanshay Goenka, are part of Sindharam Sanwormal (dry fruit store chain) in Kolkata. Rajeev Goenka, Chairman & Managing Director, has been associated with the company since incorporation. He ventured in plastic products industry and has gained experience of approximately 29 years in this field. Currently, he oversees the entire business operations and is responsible for day-to-day activities of the business. Mr. Vanshay Goenka, son of Mr. Rajeev Goenka, has an overall experience of approximately 9 years, including his experience in M/s. Ernst & Young LLP.

Growth in scale of operations with satisfactory profitability margins

On a consolidated basis, the company's Total Operating Income improved to Rs. 53.98 crores during FY22 as against Rs. 31.14 crores during FY21 due to increased demand of plastic/CSD caps from its customers coupled with higher trading sales. Although

PBILDT margins moderated from 23.02% in FY21 to 16.19% in FY22 due to higher trading sales and increase in raw material cost which could not be passed on fully.

In H1FY23, the company earned PAT of Rs. 4.13 crore on total operating income of Rs.64.10 crore.

Satisfactory debt service coverage ratios

The debt coverage indicators remained satisfactory marked by interest coverage ratio of 3.98x in FY22 as against 3.83x in FY21. Although, Total debt/ GCA moderated to 6.60x in FY22 against 4.29x in FY21 mainly due to avilment of fresh term loan for setting up of preform, caps & handles facility in Kotdwar (Unit-3) coupled with dip in profitability margins, it continued to remain satisfactory.

Liquidity analysis - Adequate

Liquidity is adequate characterized by Gross Cash Accruals of Rs.5.72 crores in FY22 (Audited.) vis-à-vis debt repayment obligation of Rs.4.87 crore in FY22. The average utilization of fund based working capital limits stood at 95% for the last 12 months ending October 2022. The company's debt repayment obligation stands at Rs.6.22 crore in FY23 which is expected to be met entirely out of cash accruals.

Analytical approach: Consolidated

CARE has taken consolidated approach as the company has three wholly owned subsidiary namely Purv Ecoplast Private Limited, Purv Packaging Private Limited & Purv Technoplast Private Limited. The approach was standalone at the time of last ratings as the subsidiaries came into being were acquired in FY21.

Applicable criteria

[Criteria on assigning 'Outlook' and 'credit watch' to Credit Ratings](#)

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

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

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

[Short Term Instruments](#)

[Consolidation](#)

[Manufacturing Companies](#)

About the company

Incorporated in Nov 2015 as a private limited company under the name of Cool Caps Industries Private Limited, the company was converted into Public Limited Company and the name of the company was changed to Cool Caps Industries Limited on April 12, 2021. The company is part of the Purv Group which is engaged in plastic packaging space. The company is engaged in manufacturing of variety of plastic bottle caps and closures which includes Plastic Soda Bottle Cap, Plastic Mineral Water Bottle Cap, Embossed Plastic Bottle Cap, Printed Plastic Bottle Cap, Plastic Juice Bottle Cap and PET Bottle Cap. The apart, the company also manufactures N95 FFP2 Masks, Preforms and Handles and also trades in Shrink film.

The company has 3 manufacturing units – Unit 1 in Howrah, West Bengal for manufacturing of Plastic Caps & Closures and N95 Face Mask; Unit 2 & 3 in Kotdwar, Uttarakhand for manufacturing of Plastic Caps & Closures, Preforms and Handles

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	September 30, 2022 (A)
Total operating income	31.14	53.98	64.10
PBILDT	7.17	8.74	8.46
PAT	4.62	3.57	4.13
Overall gearing (times)	1.66	1.25	1.59
Interest coverage (times)	3.83	3.98	5.09

A: Audited

Status of non-cooperation with previous CRA: Acuite (SMERA) continues to keep the ratings under "ISSUER NOT COOPERATING" category vide PR dated June 13, 2022.

Any other information: NA

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated facilities: Detailed explanation of covenants of the rated facilities is given in Annexure-3

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

Annexure-1: Details of 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 along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	11.00	CARE BB; Stable
Fund-based - LT-Term Loan		-	-	May, 2028	30.55	CARE BB; Stable
Non-fund-based - LT/ ST-BG/LC		-	-	-	2.70	CARE BB; Stable / CARE A4

Annexure-2: Rating history for the 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	30.55	CARE BB; Stable	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (14-Dec-21)	1)CARE B; Stable; ISSUER NOT COOPERATING* (14-Dec-20)	1)CARE B; Stable (14-Oct-19)
2	Fund-based - LT-Cash Credit	LT	11.00	CARE BB; Stable	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (14-Dec-21)	1)CARE B; Stable; ISSUER NOT COOPERATING* (14-Dec-20)	1)CARE B; Stable (14-Oct-19)
3	Non-fund-based - LT/ ST-BG/LC	LT/ST*	2.70	CARE BB; Stable / CARE A4	-	1)CARE A4; ISSUER NOT COOPERATING* (14-Dec-21)	1)CARE A4; ISSUER NOT COOPERATING* (14-Dec-20)	1)CARE A4 (14-Oct-19)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated facilities: NA

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

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-BG/LC	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 instruments: CARE Ratings 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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