

## Captain Polyplast Limited

March 15, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE BB+; Stable (Double B Plus; Outlook: Stable) and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A4+ (A Four Plus) and Withdrawn
<b>Total Bank Facilities</b>	<b>0.00</b> <b>(Rs. Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has reaffirmed and withdrawn the outstanding ratings of 'CARE BB+; Stable' (Double B Plus; Outlook: Stable)/ CARE A4+ (A Four Plus) assigned to the bank facilities of Captain Polyplast Limited with immediate effect. The above action has been taken at the request of Captain Polyplast Limited and 'No Objection Certificates' received from the banks that have extended the facilities rated by CARE Ratings Ltd.

The ratings prior to its withdrawal continue to remain constrained on account of its moderate scale of operations, dependence on government agencies for receipt of subsidies in its micro irrigation system (MIS) business and high reliance on bank borrowings to fund the working capital requirements amidst elongated payments of these subsidies, its moderate capital structure and debt coverage indicators. The ratings, however, continue to derive strength from CPPL's experienced promoters, its established operations in MIS business with reputed clientele and geographic diversification of its operations over last few years with sales in states other than Gujarat. The ratings also factor in commencement of engineering, procurement and construction (EPC) of solar power plants, during FY21.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

##### Moderate scale of operations

The scale of operations of CPPL continued to remain moderate at Rs.179.14 crore in FY21 as compared to Rs.189.54 cr in FY20, decline was mainly due to second wave of covid-19. Apart from MIS business, company also earns commission income as a del credere agent for polymers; however its contribution in company's total revenue profile is marginal.

Further, during 9MFY22, the company reported TOI of Rs.127.53 crore, as compared to Rs.114.31 cr during 9MFY21. Company's PBILDT margin remained moderate at 14.89% during FY21 (P.Y.: 16.64%). However, gross cash accruals remained limited at around Rs.13.09 crore due to moderate scale.

##### Elongated collection of government subsidies resulting in elevated working capital requirements

CPPL's collection period continued to remain high (at around 252 days in FY21, increased from around 236 days in FY20). This apart, company is also required to provide credit under its del credere agency business for polymers of Indian Oil Corporation Ltd. (IOCL). This results in sizeable working capital requirements, which are funded mainly through bank borrowings including dealer financing limits of IOCL, alongwith creditors. Thus, dependence on bank debt remains high in light of elevated working capital requirements.

##### Moderate capital structure and debt coverage indicators

Capital structure of CPPL remained moderate with an overall gearing (incl. acceptances) of 1.56x as on March 31, 2021, albeit with marginal improvement from FY20 level of 1.61x owing to accretion of profits to reserves. Total outside liabilities to tangible network (TOL/TNW) continued to remain high at 2.38x as on March 31, 2021 (2.96x as on March 31, 2020) due to significant credit availed by the company to fund its working capital requirements.

Debt coverage indicators of the company continued to remain moderate, marked by total debt/GCA of 7.44x (P.Y.:5.16x) and PBILDT interest coverage of 2.65x (P.Y.: 3.12x) during FY21.

##### Dependence on the agricultural sector and government policies; albeit favourable growth prospects for MIS sector

Around 50% of the arable land in India is rain-fed and the problem of water scarcity prevails in the country, thus there is a huge potential for the growth of MIS in the nation. However, demand for MIS products is subject to risks associated with the vagaries of nature, seasonality and government policies, including payment of subsidy.

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

## Key Rating Strengths

### Experienced promoters and established track record of operations in MIS business

The promoters of CPPL, Mr. Ramesh Khichadia and Mr. Gopal D. Khichadia, have over two decades long experience in the MIS business. Mr. Ramesh Khichadia (B. Tech in Agriculture Engineering), key promoter and managing director, has more than two decades of experience in irrigation system implementation. Further, Mr. Ritesh Khichadia (BTech and MBA), son of Mr. Ramesh Khichadia, was appointed as whole-time director during FY21.

Furthermore, company has established operations in MIS business. Presently, CPPL is registered as an authorized and registered supplier for MIS for around 16 state government authorities, including Gujarat, Andhra Pradesh, Tamil Nadu, Karnataka and Telangana. In addition to its primary manufacturing facility located near Rajkot in Gujarat, CPPL established its manufacturing facility at Kurnool in Andhra Pradesh, which commenced operations from May 2019. The products from this facility are supplied to South Indian states.

### Reputed clientele with gradual geographic diversification

Over the last few years, CPPL has focused on diversification of its revenue by expanding its presence in states other than Gujarat. As a part of this, CPPL has obtained/renewed licenses to operate as an authorized supplier for MIS for 16 states in India, which has reduced its dependency on Gujarat. However, Gujarat and Tamil Nadu continues to be the largest revenue contributor for CPPL due to its established presence in the state, with 50% contribution to sales from the same.

### Susceptible of profitability to volatile input prices

Company's profitability remains susceptible to volatile prices of granules, which are a derivative of crude oil and are thus impacted by fluctuations in the prices of the latter.

**Analytical Approach:** Standalone

### Applicable Criteria

[Policy on Withdrawal of Ratings](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

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### About the Company

Rajkot, Gujarat based CPPL was established in March 1997 by Mr. Ramesh Khichadia along with two other business associates. CPPL is engaged in the business of manufacturing and assembling of irrigation equipment including drip irrigation and sprinkler systems, high density polyethylene (HDPE) pipes, PVC pipes and other allied products related to MIS. As on March 31, 2021, CPPL had an installed capacity to manufacture 8,200 metric tons per annum (MTPA) of MIS equipment of various grades at its manufacturing facility located at Shapar near Rajkot in Gujarat. Further, in May 2019, CPPL commenced production at its greenfield facility at Kurnool, Andhra Pradesh having an installed capacity of 5,940 MTPA for manufacturing of various types of pipes and MIS systems.

In February 2017, CPPL commenced agency business for various types of polymers of Indian Oil Corporation Ltd. (IOCL) as its DCA and consignment stockist (CS) for Gujarat region. Moreover, during FY21, CPPL commenced EPC of solar power plants.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (Prov.)
Total operating income	189.54	179.14	127.53
PBILDT	31.55	26.68	12.15
PAT	12.60	9.05	1.40
Overall gearing (times)	1.61	1.56	NA
Interest coverage (times)	3.12	2.65	1.66

A: Audited, Prov. Provisional, NA: Not Available

**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-Cash Credit		-	-	-	0.00	Withdrawn
Non-fund-based - ST-Bank Guarantee		-	-	-	0.00	Withdrawn
Non-fund-based - ST-Letter of credit		-	-	-	0.00	Withdrawn
Fund-based-Short Term		-	-	-	0.00	Withdrawn
Non-fund-based - ST-Credit Exposure Limit		-	-	-	0.00	Withdrawn
Fund-based - LT-Working Capital Demand loan		-	-	April 2022	0.00	Withdrawn
Fund-based - LT-Term Loan		-	-	December 2023	0.00	Withdrawn
Fund-based - LT-Working capital Term Loan		-	-	January 2026	0.00	Withdrawn

**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-Cash Credit	LT	-	-	-	1)CARE BB+; Stable (08-Feb-21) 2)CARE BB+; Stable (14-Sep-20)	1)CARE BB+; Stable (31-Dec-19)	1)CARE BBB-; Negative (29-Jan-19) 2)CARE BBB-; Negative (07-Jan-19) 3)CARE BBB-; Negative (24-Aug-18) 4)CARE BBB-; Stable (05-Jun-18)
2	Non-fund-based - ST-Bank Guarantee	ST	-	-	-	1)CARE A4+ (08-Feb-21) 2)CARE A4+ (14-Sep-20)	1)CARE A4+ (31-Dec-19)	1)CARE A3 (29-Jan-19) 2)CARE A3 (07-Jan-19) 3)CARE A3 (24-Aug-18) 4)CARE A3 (05-Jun-18)
3	Non-fund-based - ST-Letter of credit	ST	-	-	-	1)CARE A4+ (08-Feb-21) 2)CARE A4+ (14-Sep-20)	1)CARE A4+ (31-Dec-19)	1)CARE A3 (29-Jan-19) 2)CARE A3 (07-Jan-19) 3)CARE A3 (24-Aug-18) 4)CARE A3 (05-Jun-18)
4	Fund-based - LT-	LT	-	-	-	-	-	1)Withdrawn

	Term Loan							(29-Jan-19) 2)CARE BBB-; Negative (07-Jan-19) 3)CARE BBB-; Negative (24-Aug-18) 4)CARE BBB-; Stable (05-Jun-18)
5	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (29-Jan-19) 2)CARE BBB-; Negative (07-Jan-19) 3)CARE BBB-; Negative (24-Aug-18) 4)CARE BBB-; Stable (05-Jun-18)
6	Fund-based-Short Term	ST	-	-	-	1)CARE A4+ (08-Feb-21) 2)CARE A4+ (14-Sep-20)	1)CARE A4+ (31-Dec-19)	1)CARE A3 (29-Jan-19) 2)CARE A3 (07-Jan-19) 3)CARE A3 (24-Aug-18) 4)CARE A3 (05-Jun-18)
7	Non-fund-based - ST-Credit Exposure Limit	ST	-	-	-	1)CARE A4+ (08-Feb-21) 2)CARE A4+ (14-Sep-20)	-	-
8	Fund-based - LT-Working Capital Demand loan	LT	-	-	-	1)CARE BB+; Stable (08-Feb-21) 2)CARE BB+; Stable (14-Sep-20)	-	-
9	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BB+; Stable (08-Feb-21) 2)CARE BB+; Stable (14-Sep-20)	-	-
10	Fund-based - LT-Working capital Term Loan	LT	-	-	-	1)CARE BB+; Stable (08-Feb-21)	-	-

\* 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT-Working Capital Demand loan	Simple
4	Fund-based - LT-Working capital Term Loan	Simple
5	Fund-based-Short Term	Simple
6	Non-fund-based - ST-Bank Guarantee	Simple
7	Non-fund-based - ST-Credit Exposure Limit	Simple
8	Non-fund-based - ST-Letter of credit	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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**About CARE Ratings Limited:**

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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