



Press Release

Captain Polyplast Limited (CPL)

March 28, 2024

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	78.41	IVR BBB-/Stable	Assigned	Simple
Short Term Bank Facilities	26.68	IVR A3	Assigned	Simple
Total	105.09	One Hundred Five Crore and Nine Lakhs		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Captain Polyplast Limited (CPL) derives comfort from extensive experience of the promoters, moderate financial risk profile and improvement in revenue and diversified customer base. However, the rating strengths are partially offset by susceptibility to regulatory changes and volatility in raw material prices and high operating cycle.

Key Rating Sensitivities

Upward Factors

- Growth in scale of business with improvement in profitability metrics thereby leading to improvement in cash accruals on a sustained basis.
- Improvement in working capital management.

Downward Factors

- Dip in operating income and/or profitability on a sustained basis.
- Deterioration in the capital structure marked by overall gearing of over 1.00x.
- Moderation in liquidity position with further elongation in operating cycle



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of the promoters

Mr. Ramesh Khichadia (Managing Director) has extensive experience in the field of irrigation business, with 30+ years of experience. An alumnus of Gujarat Agriculture University, he holds a distinguished B. Tech degree in Agriculture Engineering.

Mr. Gopal Khichadia (Director) also brings a wealth of knowledge and expertise that has played a transformative role in the growth and success of the company. His 20+ years of extensive experience and insights into the PVC pipes industry equips the company with a competitive advantage.

Moderate financial risk profile

The financial risk profile is likely to remain supported by healthy profitability and limited reliance on debt. Gearing was 1.16 times as on March 31, 2023, and total outside liabilities to adjusted net worth ratio at 2.19 times. Further gearing ratio is projected less than 1 times in coming term considering no major debt funded CAPEX is expected.

Improvement in revenue and diversified customer base

The revenue of the company stood at Rs. 222.04 Cr. in FY2023 as against Rs.183.73 Cr. in FY2022. The profitability of the company is also expected to improve to 5.27% in FY2024 (proj.) as against 2.42% in FY2023. The company has a diversified customer base and has marketing and distribution network across 16 states in India which cover ~90% of micro irrigation market in India. CPL also exports its products to countries in Africa, Latin America and Middle East.



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Key Rating Weaknesses:

Susceptibility to regulatory changes and volatility in raw material prices

As government subsidies are major growth drivers in the Micro Irrigation System (MIS) industry, the business remains vulnerable to any unfavorable change in government policies on MIS. Moreover, since cost of procuring the raw materials (HDPE granules, low density polyethylene granules, pipes and PVC resins) accounts for majority (~75 to 80%) of total production cost, even a marginal increase in raw material prices will drastically impact profitability. EBIDTA margin declined to 7.51% in fiscal 2023 from 8.35% in FY21 due to fluctuations in raw material cost during the fiscal year; the company projects EBIDTA margin at around 11% for fiscal 2024, considering EBIDTA margin of 11.19% reported in 9MFY24.

High operating cycle

Gross current assets (GCAs) have been 333-373 days for the past three fiscals and were 333 days as on March 31, 2023, driven by high debtors of 194 days and huge inventory of 76 days. The company needs to extend long credit period and maintain sizeable work in process and inventory to meet business requirement. GCAs are projected at around 250 days over the medium term.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria for default recognition](#)

[Criteria of assigning Rating outlook](#)

[Rating Methodology of Manufacturing](#)

[Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)



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Liquidity: Adequate

CPL's liquidity position remained adequate marked by current ratio of 1.53x as on March 31, 2023 (1.58x as March 31, 2022). Gross cash accruals stood at Rs. 8.41 crore in FY23 (Rs. 6.38 crore in FY22). The company's cash accruals are sufficient to meet its repayments in FY24-26. The average utilisation of its working capital facilities is 92.92%(Fund based) and 78.96%(Non fund based) in the 12 months ended Jan 2024.

About the company

Incorporated in 1997, Captain Polyplast Limited (CPL) has established itself in the micro irrigation industry with its quality products and strong distribution network. CPL has a complete range of micro irrigation solutions with manufacturing facilities at Rajkot (Gujarat) and Kurnool (Andhra Pradesh). Company has diversified into fast growing solar EPC market and polymer marketing. The company has marketing and distribution network across 16 states in India which cover 90% of micro irrigation market in India. CPL exports its products to countries in Africa, Latin America and Middle East. CPL is a manufacturer, exporter & trading company of HDPE Pipes and Irrigation Equipment including Drip Irrigation Systems, Sprinkler Irrigation Systems, Disc Filters, Screen Filters, Hydro-Cyclone Filters, Sand (Gravel) Filters, Compression Fittings, Valves (Electric & Mechanical), Fertilizer Tanks, Digital Controllers, Pressure Gauges, etc.

Financials: Standalone

	(Rs. crore)	
For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	185.17	224.60
EBITDA	15.45	16.87
PAT	2.76	5.50
Total Debt	84.93	81.55
Tangible Networth (Net Adjusted)	64.50	70.02
Ratios		
EBITDA Margin (%)	8.35	7.51
PAT Margin (%)	1.47	2.42
Overall Gearing Ratio (x) (Net Adjusted)	1.26	1.13

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable



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Any other information: Nil

Rating History for last three years: Not Applicable



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1	Long Term Bank Facilities		78.41	IVR BBB-/Stable	-	-	-
2	Short Term Bank Facilities		26.68	IVR A3	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.



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For more information visit www.infomerics.com

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
WCTL/GECL	-	-	18.01.2026	6.96	IVR BBB-/Stable
WCTL/GECL	-	-	22.03.2028	6.55	IVR BBB-/Stable
WCTL/ECLGS	-	-	26.12.2025	0.47	IVR BBB-/Stable
WCTL/ECLGS	-	-	01.12.2027	1.83	IVR BBB-/Stable
Cash Credit	-	-	Revolving	62.60	IVR BBB-/Stable
Letter of Credit	-	-	Revolving	12.50	IVR A3
Bank Guarantee	-	-	Revolving	14.00	IVR A3
CEL	-	-	Revolving	0.18	IVR A3

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-CaptainPolyplast-mar24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable



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Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.