



Press Release

Cool Caps Industries Limited

December 07, 2023

Ratings

Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long-Term Bank Facilities	38.80	IVR BB+; Stable (IVR Double B Plus with Stable outlook)	Assigned	Simple
Short-Term Bank Facilities	2.20	IVR A4+ (IVR A Four Plus)	Assigned	Simple
Total	41.00 (INR Forty-one crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Cool Caps Industries Limited (CCIL) derives strength from its experienced promoters, diversified product portfolio and esteemed customer base. Further, the ratings also consider sustained growth in its scale of operation and satisfactory debt protection metrics. However, these rating strengths remain partially offset by its moderate capital structure, exposure to project stabilisation risk in view of ongoing projects in the company, exposure to client concentration risk, high exposure in group companies, susceptibility of profitability to volatility in the prices of raw materials and finished goods coupled with presence in fragmented industry leading to intense competition.

Key Rating Sensitivities:

Upward factors

- Sustained revenue growth with improvement in profitability metrics thereby leading to improvement in cash accruals.
- Improvement in the capital structure with improvement in TOL/TNW to below 2x and sustenance of interest coverage ratio to over 3x.
- Improvement in working capital management leading to improvement in operating cycle and consequent improvement in liquidity.

Downward Factors

- Decline in revenue and profitability leading to deterioration in debt protection metrics on a sustained basis.



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- Any delay in ongoing capex or any further unplanned capex leading to impairment in the capital structure with moderation in overall gearing to over 3x and interest coverage to below 2x
- Increase in operating cycle impacting the liquidity position

List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

- **Experience promoters**

Mr. Rajeev Goenka is the Promoter cum Chairman and Managing Director of the Company. He has nearly three decades of experience in the field of plastic industry in India. He actively looks after the day-to-day operations of the company along with the team of experienced professionals. Infomerics believes that the company will continue to get support through the promoter's extensive industry experience and established relation with its customers over the medium term.

- **Diversified product portfolio with esteemed customer base**

The company has added new products in the recent past to diversify its product portfolio which is expected to fetch higher margin for the company going forward. Further, backed by commencement of new units, coupled with improved capacity utilization both production and sales volume have increased over the past three years. Further, the company has reputed names like Bisleri International, United Breweries Holdings Limited, Patanjali Ayurved, Indian Railway Catering and Tourism Corporation etc. in its customer profile.

- **Growth in scale of operation albeit moderation in profitability**

On a consolidated basis, total operating income of CCIL has witnessed a CAGR of ~142% over the past three years as the topline has grown from Rs.31.13 crore in FY21 to Rs.181.64 crore in FY23. The growth in topline in FY23 is mainly driven by the commencement of its manufacturing unit III on June 2022 which independently generated revenue of ~Rs.20.24 crore leading to increase in production and sales volume. Moreover, trading sales of the company has also improved steadily in the recent past. Of total revenue in FY23, ~48% is derived from trading segment. With improved topline, the absolute EBITDA has improved to Rs.14.05 crore in FY23 from Rs.7.66 crore in FY22 and gross cash accruals has also witnessed a growth from Rs.5.72 crore in FY22 to Rs 9.44 crore in FY23. Despite improvement in topline, the company has reported a moderation in EBITDA margin mainly affected by high revenue generation from low value-added trading segment. Furthermore,



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with increase in finance cost and depreciation charges in FY23, the PAT margin has also moderated to 3.12% in FY23 from 6.58% in FY22. In H1FY24, the consolidated total operating income of CCIL stood at Rs.81.53 crore.

- **Satisfactory debt protection metrics**

Debt protection metrics of the company remained satisfactory over the past three fiscals. The interest coverage though moderated yet remains satisfactory at 3.09x in FY23 against 3.49x of FY22. Further, Total Debt/EBITDA and Total Debt/GCA also remains moderate at 5.01x and 7.46 years respectively as on March 31, 2023, against 4.93x and 6.61 years respectively as on March 31, 2022.

Key Rating Weaknesses:

- **Exposure to client concentration risk**

Though the company has improved its customer base over the past few years, there is client concentration since ~55-60% of FY23 revenue is generated from Bisleri International and its other distributors. However, the dependency on Bisleri International has reduced in FY24 as the company has managed to acquire new clients during the period.

- **Exposure to project stabilisation risk**

There is an ongoing capex in Assam in CCIL and under one of its subsidiaries. The Capex are in near completion stage, however, there exists a project stabilisation risk.

- **Moderate capital structure**

The capital structure of the company had remained moderate owing to its low net worth base which stood at Rs.35.96 crore as on March 31, 2023. However, during the present fiscal the company has received a central capital investment incentive of Rs.2.75 crore for unit II and the board has approved fresh FPO of up to ~Rs.65 crore which is expected to boost the net worth of the company going forward. However, for expansion of one manufacturing unit along with the ongoing capex in one of the subsidiaries, the company had to avail term loans and to manage the growing operations increased its working capital limits which has led to moderation in overall gearing to 1.96x as on March 31, 2023, against 1.25x as on March 31, 2022. Overall indebtedness marked by TOL/TNW has also moderated to 2.78x as on March 31, 2023, in comparison to 1.50x as on March 31, 2022. As on September 30, 2023 the tangible net worth stood at Rs.42.55 crore with overall gearing of 2.10x.

- **Susceptibility of profitability to volatility in the prices of raw materials and finished goods**



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The price of plastic granules, which is one of the main raw materials required for CCIL, has witnessed volatility in the recent past. Similarly, the price realisation also linked to the input prices, where there could be squeezing of margin when the input cost increase is not fully absorbed in the selling prices.

- **High off balance sheet exposure in group companies**

CCIL has off balance sheet exposure in the form of corporate guarantee to group companies' majority of which is extended to the holding company Purv Flexipack Limited. High exposure to group companies restricts the financial flexibility of the company.

- **Presence in fragmented industry leading to intense competition**

The industry is characterized by presence of many players. Large organized players offer products at more competitive prices, because of advantages of economies of scale and access to advanced technology. Also, the market has numerous small players that cater to local price-sensitive customers. Although high customization levels partially limit threat from imports, intense competition may continue to constrain scalability, pricing power, and profitability.

Analytical Approach: Consolidated. For arriving the rating Infomerics has taken consolidated approach as the company has three wholly owned subsidiaries namely Purv Ecoplast Private Limited, Purv Packaging Private Limited & Purv Technoplast Private Limited controlled by the same management with operational and financial linkage. Further, Cool Caps Industries Limited has extended corporate guarantee to its subsidiaries Purv Technoplast Private limited and Purv Ecoplast Private Limited. The lists of companies considered for consolidation are given in Annexure 3

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning rating outlook](#)

[Consolidation of Companies](#)

[Criteria on default Recognition](#)

Liquidity: Adequate

The liquidity of the company is expected to remain adequate, marked by its expected sufficient cash accruals vis-à-vis debt repayment obligations in the near to medium term. The company is expected to earn cash accruals in the range of ~Rs.16-42 crore which is



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sufficient to meet its debt obligations ranging from ~Rs.5.67 crore- Rs.12 crore during FY24-FY26. However, the average working capital utilization of the company remained high at ~93% indicating a low liquidity buffer.

About the Company

Cool Caps Industries Private Limited was incorporated on November 20, 2015, as a private limited company and the company began manufacturing of plastic caps and closures in its manufacturing facility at Howrah, West Bengal. Later the name and constitution of the company was changed to Cool Caps Industries Limited (CCIL) as on April 12, 2021. CCIL specializes in the manufacture of plastic caps and closures for the packaged drinking water and beverages industry in India. The Company is also engaged in trading of Shrink film and plastic granules. CCIL presently has three manufacturing units – one unit in Howrah, West Bengal, and two units in Kotdwar, Uttarakhand and is engaged in commissioning of its forth unit in Nalbari (Assam) in the last quarter of present fiscal year. Furthermore, CCIL has acquired three companies namely, Purv Technoplast Private limited (formerly known as Purv Agro Farms Private Limited), Purv Ecoplast Private Limited and Purv Packaging Private Limited in FY 2020-21 and made them wholly owned subsidiaries. Purv Technoplast Private limited is expected to commence its operation of Recycling activity – procurement of Waste PET bottles, sorting, washing, cleaning & crushing of procured Waste PET bottles & converting cleaned Waste PET bottles to Reprocessed PET (RPET) flakes from December 2023.

Financials of Cool Caps Industries Limited (Consolidated):

For the year ended* / As On	(Rs. crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	52.90	181.64
EBITDA	7.66	14.05
PAT	3.57	5.71
Total Debt	37.77	70.47
Tangible Net worth	30.25	35.96
EBITDA Margin (%)	14.47	7.74
PAT Margin (%)	6.58	3.12
Overall Gearing Ratio (x)	1.25	1.96
Interest Coverage	3.49	3.09

*Classification as per Infomerics' standards.

Financials of Cool Caps Industries Limited (Standalone):



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For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	46.91	128.19
EBITDA	7.41	11.62
PAT	3.21	4.91
Total Debt	34.44	46.13
Tangible Net worth	29.94	34.85
EBITDA Margin (%)	15.80	9.06
PAT Margin (%)	6.69	3.77
Overall Gearing Ratio (x)	1.15	1.32
Interest Coverage	3.50	2.97

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Acuite Ratings has kept the rating under Issuer not co-operating category vide press release dated October 11, 2023, due to non-cooperation from the client.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	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.	Term Loan HDFC Bank	Long Term	20.50	IVR BB+/ Stable	-	-	-
2.	Term Loan ICICI Bank	Long Term	0.95	IVR BB+/ Stable	-	-	-
3.	Cash Credit	Long Term	16.00	IVR BB+/ Stable	-	-	-
4.	Bank Guarantee	Short Term	2.20	IVR A4+	-	-	-
5.	Fund Based	Long Term	1.35	IVR BB+/ Stable	-	-	-

Name and Contact Details of the Rating Analyst:

Name: Mr. Avik Podder

Tel: (033) 46022266

Email: apodder@infomerics.com



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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary. 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. Cr)	Rating Assigned/ Outlook
Long Term Fund Based Limits –Term Loan	-	-	Aug 2028	20.50	IVR BB+/ Stable
Long Term Fund Based Limits –Term Loan	-	-	Apr 2025	0.95	IVR BB+/ Stable
Long Term Fund Based Limits –Cash Credit	-	-	-	16.00	IVR BB+/ Stable



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Short Term Non-Fund Based Limits – Bank Guarantee	-	-	-	2.20	IVR A4+
Long Term Fund Based Limits – Proposed	-	-	-	1.35	IVR BB+/ Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-CoolCaps-dec23.pdf>

Annexure 3: List of companies considered for consolidated analysis:

Name of the Company	Consolidation Approach
Cool Caps Industries Limited	Full Consolidation
Purv Ecoplast Private Limited	Full Consolidation
Purv Packaging Private Limited	Full Consolidation
Purv Technoplast Private Limited	Full Consolidation

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

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