

JULY 20, 2015

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF CAPTAIN PIPES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	5.81 (reduced from 6.83)	CARE BBB- (Triple B Minus)	Revised from CARE BB- (Double B Minus)
Short term Bank Facilities	1.50	CARE A3 (A Three)	Revised from A4 (A Four)
Total Facilities	7.31		

Rating Rationale

For arriving at the ratings of Captain Pipes Limited (CPLD), CARE has combined the financials of CPLD and Captain Polyplast Limited (CPL) as both the entities have same promoters and have operational synergies in the business. Furthermore, CPL's stake in CPLD increased from 19.05% in FY14 (refers to the period April 1 to March 31) to 29.59% in FY15.

The revision in the ratings assigned to the bank facilities of CPL was on account of the healthy growth in the scale of operations during FY15 of the Captain group (comprising CPL and CPLD), improvement in profitability and cash accruals alongwith the improvement in capital structure and debt coverage indicators. The ratings continue to derive strength from the vast experience and established track record of the promoters in the agricultural equipment industry, reputed clientele and moderate order book position of the group.

However, the ratings continue to remain constrained by client concentration risk, moderate liquidity position coupled with long collection period and vulnerability to changes in government regulations.

The ability of the Captain group to continue the growth in scale of operations, improve profitability and liquidity position by efficiently managing its collection period will remain the key rating sensitivities.

Background

Incorporated in 2010, Rajkot-based ISO 9001:2008 certified CPLD undertakes the business of manufacturing high tensile unplasticized poly vinyl chloride (uPVC) pipes used for potable water (with application in agricultural, construction and real estate sector) with an installed production capacity of 16,500 metric tonnes per annum (MTPA) for pipes division and 1,200 MTPA for fitting division as on March 31, 2015. The company got successfully listed on BSE SME IPO Exchange in December 2014. It is an associate concern of CPL which is engaged in the business of manufacturing of irrigation equipment Drip Irrigation Systems, Sprinkler Irrigation Systems and other various allied products related to Micro Irrigation System (MIS) as well as HDPE pipes.

During FY15, on a combined basis, the Captain group registered a total operating income (TOI) of Rs.115.09 crore with PAT of Rs.3.91 crore as against a TOI of Rs.114.47 crore with a PAT of Rs.2.30 crore in FY14.

Analyst Contact

Name: Mohit Agrawal

Tel: (079) 40265612

Email: mohit.agrawal@careratings.com

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

CONTACT

Head Office Mumbai

Mr. D.R. Dogra

Managing Director
 Mobile: +91-98204 16002
 E-mail: dr.dogra@carerating.com

Ms. Meenal Sikchi

Vice President - Bank Loan & Instrument Rating
 Mobile: +91-9819009839
 E-mail: meenal.sikchi@carerating.com

Mr. Rajesh Mokashi

Dy. Managing Director
 Mobile: +91-98204 16001
 E-mail: rajesh.mokashi@careratings.com

Mr. Ankur Sachdeva

Vice President - Bank Loan & Financial Services
 Mobile: +91-9819698985
 E-mail: ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

Other Office:

503, Kaledonia, Sahar Road, Near Andheri Railway Station, Andheri (E), Mumbai - 400 069
 Tel: +91-22-6144 3456 | Fax: +91-22-6144 3556

AHMEDABAD
Mr. Mehul Pandya

32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015
 Cell: +91-98242 56265
 Tel: +91-79-4026 5656
 E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Dinesh Sharma

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.
 Cell: +91-99000 41975
 Tel: +91-80-4115 0445, 4165 4529
 E-mail: dinesh.sharma@careratings.com

CHANDIGARH
Mr. Sajan Goyal

2nd Floor, S.C.O. 196-197, Sector 34-A,
 Chandigarh - 160 022.
 Cell: +91 99888 05650
 Tel: +91-172-5171 100 / 09
 Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar

Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.
 Cell: +91 98407 54521
 Tel: +91-44-2849 7812 / 0811
 Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Saikat Roy

401, Ashoka Scintilla, 3-6-502, HimayatNagar,
 Hyderabad - 500 029.
 Tel: +91-40-4010 2030
 E-mail: saikat.roy@careratings.com

JAIPUR
Mr. Harsh Raj Sankhla

304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.
 Cell: +91 - 94139 69100
 Tel: +91-141-402 0213 / 14
 E-mail: harshraj.sankhla@careratings.com

KOLKATA
Ms. Priti Agarwal

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.
 Cell: +91-98319 67110
 Tel: +91-33- 4018 1600
 E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal

13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.
 Cell: +91-98117 45677
 Tel: +91-11-4533 3200
 E-mail: swati.agrawal@careratings.com

PUNE
Mr. Rahul Patni

9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.
 Cell: +91-78754 33355
 Tel: +91-20- 4000 9000
 E-mail: rahul.patni@careratings.com

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