

JULY 20, 2015

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

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	19.07 (reduced from 21.80)	CARE BBB- (Triple B Minus)	Revised from CARE BB+ (Double B Plus)
Short term Bank Facilities	20.00	CARE A3 (A Three)	Revised from A4+ (A Four Plus)
Total Facilities	39.07		

Rating Rationale

For arriving at the ratings of Captain Polyplast Ltd (CPL), CARE has combined the financials of CPL and Captain Pipes Limited (CPLD) 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 Captain group (comprising CPL and CPLD), improvement in profitability and cash accruals along with 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

Shapar-based CPL was established in March 1997 by Mr Ramesh Khichadia along with two other business associates. CPL is engaged in the business of manufacturing and trading of high-density polyethylene (HDPE) pipes, PVC pipes and also assembling of irrigation equipment including drip irrigation systems, sprinkler irrigation systems and other various allied products related to Micro Irrigation System (MIS). As on March 31, 2015, CPL has an installed capacity of 8,200 metric tonnes per annum (MTPA) for manufacturing different grades of pipes.

CPL is an authorized and registered supplier to Gujarat Green Revolution Company Limited (GGRCL, a Government of Gujarat undertaking) for supplying MIS instruments in all the 25 districts of the state. CPL has also expanded its business to Rajasthan, Madhya Pradesh, Himachal Pradesh, Punjab, Tamil Nadu, Delhi and Uttar Pradesh. It sells its products under the brand name of "Captain". It has more than 200 dealers under its marketing and distribution network spread across various cities of India namely Rajkot, Vadodara, Deesa, Himmatnagar, Raipur, Jaipur, Indore, Bhiwani, Nashik, etc.

CPL's securities got listed on BSE SME platform through Initial Public Offer (IPO) in December 2013. CPL's group company, CPLD is into manufacturing high tensile unplasticized poly vinyl chloride (uPVC) pipes used for potable water (with application in construction and real estate sector) and it got listed on BSE SME platform in September 2014.

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.

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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.

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CIN - L67190MH1993PLC071691