

SEPTEMBER 23, 2016

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

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	23.02 (enhanced from 19.07)	CARE BBB- (Triple B Minus)	Reaffirmed
Short-term Bank Facilities	26.50	CARE A3 (A Three)	Reaffirmed
Total Facilities	49.52 (Rupees Forty Nine crore and Fifty Two lakh only)		

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 also holds 29.59% equity in CPLD and CPLD holds 10.85% in CPL as on March 31, 2016.

The ratings assigned to the bank facilities of CPL continue to derive strength from the vast experience and established track record of the promoters in the agricultural equipment industry, reputed clientele and financial risk profile marked by moderate profitability, comfortable compital structure and debt coverage indicators. The ratings also factor in healthy growth in the scale of operations during FY16 (refers to the period April 1 to March 31) of Captain group (comprising CPL and CPLD) with moderation in profit margins.

However, the ratings continue to remain constrained by client concentration risk, high working capital intensity and moderate liquidity position coupled with long collection period. The ratings further, continue to remain constrained on account of linkage of industry to agricultural sector and dependence on government policies.

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, 2016, CPL has an installed capacity of 8,200 metric tonnes per annum (MTPA) for manufacturing different grades of pipes.

CPL's securities got listed on BSE SME platform through Initial Public Offer (IPO) in December 2013 which raised equity capital of Rs.5.94 crore.

CPL's group company, CPLD is into manufacturing high tensile unplasticized Poly Vinyl Chloride (uPVC) pipes used for potable water (with application in construction/irrigation and real estate sector) and it was also listed on BSE SME

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

platform in September 2014. Both companies are operated under common management and derive operational synergies between the two businesses involving similar nature of raw material requirements and customer base.

On combined basis, as per the audited results for FY16 (refers to the period April 1 to March 31), captain group earned a PAT of Rs.4.38 crore on a total operating income (TOI) of Rs.154.14 crore as against a PAT of Rs.3.40 crore on a TOI of Rs.114.14 crore in FY15.

On standalone basis, as per the audited results for FY16 (refers to the period April 1 to March 31), CPL earned a PAT of Rs.3.85 crore on a total operating income (TOI) of Rs.123.18 crore as against a PAT of Rs.2.26 crore on a TOI of Rs.89.56 crore in FY15.

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****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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