

CMP: INR 19

Rating: NA

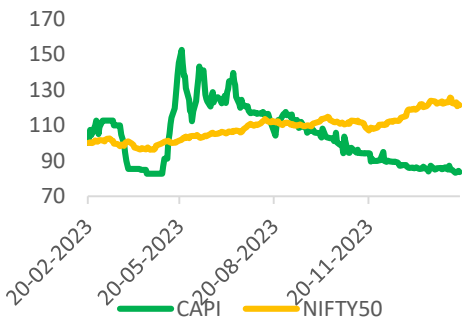
Outlook: Positive

Target Price: NA

Stock Info	
BSE	538817
NSE	
Bloomberg	CAPI:IN
Sector	Pipes & Fittings
Face Value (INR)	1
Mkt Cap (INR Mn)	2,763
52w H/L (INR)	35.8/18.3
Avg Daily Volume (in 000')	560
Shareholding Pattern % (As on Dec, 2023)	
Promoters	73.78
Public & Others	26.22

Stock Performance (%)	1m	6m	12m
CAPTAIN PIPES	-1.8	-14.1	-11.3
NIFTY	-1.4	8.6	21.3

Captain Pipes Vs Nifty



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Investment Rationale:

1. Strong capex to propel further growth:

The company acquired 6 plots totaling 38,054 square meters, which will be used for adding capacities. In Phase 1, the company will add 20,000 tonnes (current capacity of 18,000 tonnes) which is expected to be operational by December 2024 (capex of INR 250 Mn). The company will still have ample of land available for further brownfield capex. Company also intends to leave out some space for inventory, from this facility. Total land is more than 6 times the land of the existing plant in Gujarat. Company has 1300 distributors pan India covering 17 states but majority of the revenues come from Gujarat, Rajasthan and Maharashtra. With the new plant coming in, South and North India will also be serviced. In Q3FY24, the board approved Rights Issue to raise funds for capex plans.

2. Dedicated lines to improve margins and serviceability:

Currently, the company has 10 extrusion lines and 6 injection moulding machines. Company has ample of orders but at current facility, the company is not able to effectively produce different orders due to unavailability of machines. The high down time between two differentiated orders also leads to lower utilization. Company had to let go of certain orders due to the above issues. With the new capacity coming in, company will be able to dedicate individual lines to high demand product categories. This will result in higher utilization of lines (increased volumes), completion of all the orders and improved execution. This will improve the overall margin profile, which will in turn improve the return ratios.

3. Pumping growth in the sector:

Company operates in the building material space which is poised for strong growth in coming few years as Real Estate cycle is in a sweet spot. Company operates in plastic pipes segment (cPVC, uPVC, column pipes, HDPE) which has seen favourable demand due to the Jal Jeevan Mission. Jal Jeevan Mission budget in the interim budget stood at INR 669 Bn. The plastic pipes and fittings market was valued at USD 2.9 billion in 2022 and is expected to reach USD 5.6 billion by 2028. This will be driven by government initiatives, RE driven growth and replacement demand. All the players in the industry are in an aggressive growth phase and have most of them have increased their guidance for coming quarters (Supreme Industries increased their guidance for Q4, Apollo Pipes stated that Q4FY24 will be the best quarter ever. Astral increased their capex plans in Q1FY24 sighting extremely strong demand and Apollo Pipes plans to double capacity in 4 years)

Valuation summary

Y/E Mar, Rs mn	FY20	FY21	FY22	FY23
Net Sales	455	405	827	855
EBIDTA	25	24	28	40
Net Profit	4	3	51	18
PAT Adj	4	3	8	18
Diluted EPS	0.9	0.7	12.3	0.1
Diluted Adj EPS	0.9	0.7	2.0	0.1
PER, x	20.3	28.0	9.5	143.8
EV/EBIDTA, x	109.4	115.4	101.8	69.0
P/BV, x	27.7	26.8	26.4	27.3
ROE, %	4.4%	3.0%	32.3%	9.0%
Debt/Equity (x)	0.24	0.45	0.24	0.13

Outlook: Company is moving ahead with the plan of extremely strong capex. Majority of the sales will be to existing dealers and distributors but company plans to enter new regions as well. The receivables are expected to be received soon which will improve balance sheet and WC.

Currently, the volume output is restricted due to varied orders and requirements. Once the new capacity kicks in, each line will be dedicated for high requirement products which will ensure better volumes and utilization as well. Company provides competitive pricing and profitability to dealers which ensures better business compared to peer companies.

Management is aiming for 20% volume growth over the next 3 years. We are positive on the sector and believe company will be benefitted from the sectoral tailwinds. We do not have a coverage on the company. At CMP, company trades 68x TTM EPS

Exhibit: Quarterlies

Quarterlies

INR Mn unless mentioned otherwise	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Total Operating Revenues	275.01	154.58	213.23	212.28	191.19	167.22	202.45
<i>Growth (%)</i>				<i>-49.10%</i>	<i>-30.48%</i>	<i>8.18%</i>	<i>-5.05%</i>
Total Raw Material Cost	249.61	136.03	182.13	173.34	154.92	134.76	163.99
Gross Profit	25.40	18.56	31.09	38.93	36.27	32.46	38.46
GP Margins	9.24%	12.00%	14.58%	18.34%	18.97%	19.41%	19.00%
Employee Cost	2.28	2.74	2.88	2.99	3.08	3.46	3.65
Other Expenses	18.63	11.02	15.00	18.49	15.10	12.14	13.55
EBITDA	4.49	4.79	13.21	17.45	18.09	16.86	21.26
EBITDA Margins	1.63%	3.10%	6.19%	8.22%	9.46%	10.08%	10.50%
Other Income	0.61	1.29	0.90	0.59	0.36	0.33	0.04
Depreciation	2.48	2.53	2.30	2.49	2.54	2.63	2.64
Finance Cost	2.01	2.06	2.14	2.35	2.44	2.54	3.42
PBT	0.61	1.49	9.67	13.21	13.47	12.02	15.23
Tax	0.69	3.82	-1.19	3.57	3.29	1.63	5.04
Adjusted PAT	-0.08	-2.33	10.87	9.64	10.18	10.40	10.20
Adjusted PAT Margins	-0.03%	-1.49%	5.07%	4.53%	5.31%	6.21%	5.04%
EPS	-0.00	-0.02	0.08	0.07	0.07	0.07	0.07

Exhibit: Management Team

Personnel	Designation	Description
Mr Ramesh Khichadia	Chairman	In 1997, Mr. Ramesh Khichadia embarked on a visionary journey, laying the foundation for what would later evolve into the renowned Captain Group. He is an expert 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. With an illustrious career, he has honed an unparalleled expertise in the domain of Irrigation, garnering invaluable insights that continue to guide the company towards excellence.
Mr Gopal Khichadia	Managing Director	As a pivotal member of our management team, Mr. Gopal Khichadia brings a wealth of knowledge and expertise that has played a transformative role in the growth and success of our company. He is an esteemed industry veteran, with 20+ years of experience. His approach to leadership fosters a culture of collaboration, creativity, and continuous improvement within our organization. His extensive experience and insights into the PVC pipes industry equips the company with a competitive advantage.
Mr Ritesh Khichadia	Group Company Director	Mr. Ritesh Khichadia is a highly accomplished and dynamic member of our management team. He holds a BTech degree from the prestigious IIT Bombay, as well as a PGDM from the renowned IIM Lucknow. His exceptional educational qualifications have paved the way for a career marked by remarkable achievements and strategic insights. Before joining our organization, he gained valuable experience and exposure in the financial realm, where he served as an investment banker and M&A consultant for two years.

Management Meet Highlights:

We visited the plant of Captain Pipes Ltd, We are positive on the company and following are the key highlights of the company:

Capacity & Capex:

- Company has 1 plant near Rajkot with 18,000 tonnes of capacity. Recently, company acquired land in Ahmedabad of total 38,054 sqm which is 6 times of the land at Rajkot. The initial plan is to set up 20,000 tonnes of pipe manufacturing capacity and slowly scaling up from there. Some space will be kept for storage of inventory.
- The new facility will be operational by December 2024. Total capex for the project at INR 200 Mn

Operational and Business Highlights:

- Company manufacture Column pipes, Plumbing, SWR and Pressure pipes. Company manufactures PVC Pipes and Fittings for application in Agriculture and Plumbing. Currently, greater than 50% share is with Agri but going ahead with the new facility coming in, company aims to take Agri:Non Agri to 50:50
- Company also has exports, For FY23, exports stood at 11% of total sales. Exports have higher EBITDA margins
- Company had receivable days of 41 in FY23, usually exports receivable days are higher
- Company has 1300 distributors pan India covering 17 states. Gujarat, Rajasthan and Maharashtra accounts for majority of revenues. With the new plant coming in, South and North India will also be serviced.
- Company doesn't participate in project sales
- Raw material sourcing is from RIL and other domestic traders who import. Company imports directly as well. Import landed cost is usually cheaper

Other Highlights:

- Company has INR 200 Mn of receivables of sister concern (Captain Polyplast) which will be cleared in coming few months. The receivables are pending due to joint sale of adjacent products to distributors.

Corporate Actions and Fund Raise:

- In March 2022, company issued 1,000,000 warrants to promoter and non promoter entities for further growth. Post fund raise, company conducted stock split (10:1) and bonus issue (2:1). Post corporate actions stock price comes to INR 2.4
- Company has announced rights issue of INR 500 Mn (for further planned expansion)

Exhibit: Plant Visit





Exhibit: Income Statement

Income Statement				
Y/E Mar, Rs mn	FY20	FY21	FY22	FY23
Net sales	455	405	827	855
Growth, %		-11.0%	104.5%	3.4%
Raw material expenses	382	336	745	740
Employee expenses	13	12	11	11
Other Operating expenses	34	32	43	64
EBITDA (Core)	25	24	28	40
Growth, %		-4.53%	13.30%	45.45%
Margin, %	5.59%	6.00%	3.33%	4.68%
Depreciation	9	9	9	10
Interest paid	15	14	11	9
Other Income	3	3	3	3
Non-recurring Items	0	0	51	0
Pre-tax profit	4	4	60	25
Tax provided	1	2	9	7
Profit after tax	4	3	51	18
PAT Adj.	4	3	8	18
Growth, %		-27.71%	195.36%	121.48%
Unadj. shares (m)	4	4	4	139

Exhibit: Cash Flow Statement

Cash Flow				
Y/E Mar, INR mn	FY20	FY21	FY22	FY23
Pre-tax profit	2	2	7	22
Depre & Other Items	11	10	53	6
Chg in working capital	-5	31	68	7
Cash flow from operating activities	8	43	129	35
Capital expenditure	-16	-15	-4	-12
Other investing activities	0	0	-7	0
Cash flow from investing activities	-16	-15	-10	-12
Equity raised/(repaid)	-8	-6	-119	-61
Debt raised/(repaid)	18	-20	3	12
Other financing activities	-1	-2	-3	0
Cash flow from financing activities	10	-27	-118	-49
Net chg in cash	1	1	0	-26
Opening cash balance	2	1	0	0
Closing cash balance	1	0	0	26

Exhibit: Balance Sheet**Balance Sheet**

As at 31st Mar, Rs mn	FY20	FY21	FY22	FY23
PPE	86	80	85	83
Financial Assets	8	8	4	4
Other Non Current Assets	3	12	15	14
Total Non current Assets	100	103	105	101
Inventories	105	88	109	98
Receivables	53	58	115	95
Cash & CE	1	0	0	26
Other Current Assets	13	15	20	13
Total Current Assets	172	161	245	232
Total assets	271	264	350	333
Total Equities	88	91	159	202
Non current borrowings	20	28	29	19
Other Non current liabilities	3	4	7	7
Total Non current liabilities	23	33	36	25
Current borrowings	1	13	9	7
Trade Payables	131	112	130	88
Other Current Liabilities	29	16	16	12
Total Current Liabilities	160	140	155	106
Total equity & liabilities	271	264	350	333

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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