



SMERA RATINGS LIMITED

# Super Gold Pipes Private Limited (SGPPL)

## Rating Rationale

**January 23, 2014**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	10.00	SMERA B-/Stable (Assigned)
Term Loan	2.00	SMERA B-/Stable (Assigned)
Letter of Credit	1.00	SMERA A4 (Assigned)

SMERA has assigned a rating of '**SMERA B-**' (read as **SMERA single B Minus**) to the Rs.12.00 crore long-term bank facilities and '**SMERA A4**' (read as **SMERA A Four**) to the Rs.1.00 crore short-term bank facility of Super Gold Pipes Private Limited (SGPPL). The outlook on the rating is "**Stable**". The ratings are constrained by the company's small scale of operations in a highly competitive steel industry. The ratings are further constrained by the company's working capital-intensive operations and low profit margins, which are susceptible to raw material price volatility. However, the ratings are supported by the company's experienced management.

SGPPL, incorporated in 2004, is a New Delhi-based company engaged in manufacturing of galvanized steel pipes and tubes. SGPPL has a small scale of operations with revenues of Rs.47.79 crores in FY 2013. The company faces intense competition from several small and large players in the steel industry. SGPPL has a stretched liquidity position with high average utilization of working capital limit at 99.70 per cent during April 2013 to September 2013.

Mr. Kailash Gupta and Mr. Pramod Gupta, directors of SGPPL, have over ten years of experience in the steel industry. SGPPL has a moderate leverage of 1.52 times as on March 31, 2013.

### Rating sensitivity factors

- Ability to scale up operations while maintaining comfortable liquidity position.
- Improvement in profitability.
- Maintaining lower leverage level.

### Outlook: Stable

SMERA believes the outlook on SGPPL's rated facilities will remain stable over the medium term. The outlook may be revised to 'Negative' in case of a sharp deterioration in the company's profit margins or capital structure. Conversely, the outlook may be revised to 'Positive' if the company registers higher-than-expected revenues with improvement in profitability, liquidity and working capital management.

### About the company

SGPPL was incorporated on December 09, 2004 by Mr. Lakhpatri Rai and Mrs. Suman Garg (wife of Mr. Lakhpatri Rai). In 2011, the company was taken over by Mr. Kailash Gupta and Mr. Pramod Gupta. SGPPL is engaged in manufacturing of galvanized steel pipes and tubes, which are used in sewerage systems, casing pipes, water pipelines, irrigation, scaffolding, gas pipelines, oil pipelines, cooling towers, vehicular chassis and frames, idlers and belt conveyors. The company has an installed production capacity of 36,000 metric tonnes per annum.

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The company also has a galvanization facility for large diameter pipes (width up to 400 mm and length up to 7.50 meters).

SGPPL has a registered office in Paschim Vihar, New Delhi and an administrative office in Tikri Kalan, New Delhi. The company's manufacturing unit is located in Bahadurgarh, Haryana.

For FY2012-13, SGPPL reported net profit of Rs.0.97 crore on total income of Rs.47.79 crore as compared with net profit of Rs.0.32 crore on total income of Rs.26.41 crore for FY 2011-12.

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