

January 20, 2015

Facility	Amount (Rs. Crore)	Rating
Cash Credit	10.00	SMERA BB/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB**' (**read as SMERA double B**) to the Rs.10.00 crore bank facility of Laxmi Pipes Limited (LPL). The outlook is '**Stable**'. The rating is constrained by the company's moderate-scale operations in an intensely competitive segment of the pipes industry. The rating is further constrained by the company's modest financial profile. However, the rating is supported by the company's experienced management and strong dealership network.

LPL, established in 1984, is a New Delhi-based company engaged in manufacturing of black pipes and galvanised pipes. LPL has moderate-scale operations marked by operating income of Rs.53.80 crore in FY2013-14 (refers to financial year, April 01 to March 31). The company operates in an intensely competitive segment of the pipes industry. LPL's modest financial risk profile is marked by low return on capital employed (RoCE) of 7.96 per cent and moderate interest coverage ratio of 1.77 times in FY2013-14.

LPL benefits from its experienced management. The directors of the company have around three decades of experience in the pipes industry. LPL also benefits from its strong dealership network which comprises of more than 100 dealers across India.

Outlook: Stable

SMERA believes LPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers sustained improvement in profitability and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's profitability or financial risk profile.

About the company

LPL, established in 1984, is a Hissar-based company promoted by Mr. Pawan Singla. LPL undertakes manufacturing of black pipes and galvanised pipes. The company has a manufacturing unit in Hansi (Haryana), with installed capacity of 30,000 metric tonnes per annum.

For FY2013-14, LPL reported profit after tax (PAT) of Rs.0.39 crore on operating income of Rs.53.80 crore, as compared with PAT of Rs.0.31 crore on operating income of Rs.48.23 crore in FY2012-13. The company's net worth stood at Rs.5.93 crore as on March 31, 2014, as compared with Rs.5.54 crore a year earlier.



SMERA RATINGS LIMITED

Laxmi Pipes Limited (LPL)

*Rating
Rationale*

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