

November 02, 2015

Facility	Amount (Rs. Crore)	Rating
Cash Credit	10.00	<b>SMERA BB+/Stable</b> <b>(Upgraded from SMERA BB/Stable)</b>

SMERA has upgraded the long term rating on the above mentioned bank facility of Laxmi Pipes Limited (LPL) to '**SMERA BB+** (read as **SMERA double B plus**) from 'SMERA BB' (read as SMERA double B). The outlook is '**Stable**'.

The rating upgrade is in view of healthy growth in the operating income. The company registered compounded annual growth rate (CAGR) of 24 per cent over the last four years ended FY2014-15 owing to increase in capacity utilisation, expansion of product portfolio and modernisation of zinc plant resulting in better efficiency. The rating upgrade also factors in improvement in leverage to 1.41 times in FY2014-15 (1.91 times in FY2013-14) and healthy liquidity profile supported by non-interest bearing unsecured loans from promoters, friends and relatives worth Rs.1.19 crore as on March 31, 2015.

The rating draws support from the experienced management, strong dealership network and moderate financial risk profile. However, the aforementioned strengths are partially offset by intense competition in the tubes and pipes industry.

### Update

LPL has shown consistent revenue growth over the years registering Rs.69.60 crore in FY2014-15 from Rs.35.01 crore in FY2011-12. LPL's debt-to-capital ratio improved to 1.41 times as on March 31, 2015 (from 1.91 times as on March 31, 2014). The company's operating profit margin increased to 3.46 per cent in FY2014-15 from 1.38 per cent in FY2011-12. LPL reported return on capital employed (ROCE) at 11.23 per cent in FY2014-15 from 5.81 per cent in FY2012-13. Also, the company has increased its dealership network to 120 in H1FY2016 from 90 during the previous year. LPL's liquidity position is supported by increase in equity by Rs.1.12 crore in FY2014-15.

### 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 long-standing relations with customers and suppliers. The outlook may be revised to 'Positive' in case the company registers higher-than-expected cash accruals on the back of sustained growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of steep decline in profitability, or significant deterioration in the capital structure and liquidity position.

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## About the Company

Laxmi Pipes Limited (LPL), incorporated in 1984, is a Haryana-based company engaged in the manufacture of galvanized tubes and pipes since 1987. The company is headed by Mr. Pawan Singla and Mr. Sandeep Singla and has total installed manufacturing capacity of 48000 MT.

LPL reported profit after tax (PAT) of Rs.0.49 crore on operating income of Rs.69.60 crore for FY2014-15, as compared with PAT of Rs.0.39 crore on operating income of Rs.53.80 crore in FY2013-14. The net worth stood at Rs.7.32 crore as on March 31, 2015, as against Rs.5.93 crore a year earlier.

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