

Laxmi Pipes Limited: (Reaffirmed)

Facilities	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	15.00 (Enhanced from Rs. 10.00 crore)	SMERA BB+/Stable (Reaffirmed)
Term Loan	4.75	SMERA BB+/Stable (Assigned)
Long Term Facilities (Proposed)	0.25	SMERA BB+/Stable (Assigned)

SMERA has reaffirmed ratings of '**SMERA BB+**' (read as **SMERA double B plus**) on the Rs.15.00 crore long-term (fund-based) bank facility and assigned rating of '**SMERA BB+**' (read as **SMERA double B plus**) on the Rs.5.00 crore bank facilities of Laxmi Pipes Limited (LPL). The outlook continues to remain '**Stable**'.

The rating continues to draw comfort from the experienced management and established operations. The rating also notes the established relations of the company with customers and suppliers and strong dealership network. However, the rating continues to remain constrained by the high leverage, capital intensive nature of operations and intense competition in the tubes and pipes industry.

Update

For FY2015-16 (provisional), LPL registered improved net profit of Rs.0.96 crore on operating income of Rs.66.09 crore as against net profit of Rs.0.49 crore on operating income of Rs.69.60 crore in FY2014-15. This was due to modernisation of plants resulting in cost efficiency. Further, with increased capacity utilisation, operating income was moderate because of decline in finished goods prices.

LPL benefits from its experienced management. Mr. Pawan Singla, Managing Director has more than four decades of experience in the company's line of business. Also the management has healthy relations with its customers and suppliers.

However, the financial risk profile moderated evident from the leverage (debt-equity ratio) of 2.51 times (provisional) for April 2015 to March 2016 from 1.41 times during the same period in the previous year. The interest coverage and net cash accruals to total debt (NCA/TD) were 2.08 times and 0.07 times (provisional) respectively in FY2015-16.

The operations are capital intensive in nature evident from the gross current assets (GCA) of 137 days (Provisional) in FY2015-16 against 110 days during the previous year. Besides, the company faces intense competition in the tubes and pipes industry.

Outlook: Stable

SMERA believes that the outlook of LPL will continue to remain stable over the medium term owing to its experienced management and healthy relations with customers and suppliers. The outlook may be revised to 'Positive', if the company expands its scale of operations while registering better profit margins and achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the capital structure, lengthening of working capital cycle or if the company takes on any large debt funded capital expansion.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

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 installed manufacturing capacity of 48000 MT.

For FY2015-16, LPL reported profit after tax (PAT) of Rs.0.96 crore on operating income of Rs.66.09 crore (provisional), as compared with PAT of Rs.0.49 crore on operating income of Rs.69.60 crore in the previous year. The company's net worth stood at Rs.8.29 crore (provisional) in FY2015-16, as compared with Rs.7.32 crore a year earlier.

Rating History

Date	Name of the Instruments	Amount (Rs. Crore)	Ratings		Outlook
			Long Term	Short Term	
02 Nov, 2015	Cash Credit	10.00	SMERA BB+ (Upgraded from SMERA BB)	-	Stable
20 Jan, 2015	Cash Credit	10.00	SMERA BB (Assigned)	-	Stable

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ABOUT SMERA

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