

Press Release

Laxmi Pipes Limited (LPL)

13 October, 2017

Rating Reaffirmed



Total Bank Facilities Rated	Rs. 23.50 Cr (Enhanced from Rs. 20.00 Cr)
Long Term Rating	SMERA BB+/Stable (Reaffirmed)

**Refer annexure for details*

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BB+**' (read as **SMERA Double B plus**) on the Rs. 23.50 crore bank facilities of Laxmi Pipes Limited (LPL). The outlook is '**Stable**'.

Laxmi Pipes Limited, a Haryana-based company incorporated in 1984 is engaged in the manufacturing of galvanised tubes and pipes. The company is led by Mr. Pawan Singla and Mrs. Sandeep Singla and has installed manufacturing capacity of 48000 MT.

List of key rating drivers and their detailed description:

Strengths

Experienced management:

The management has almost three decades of experience in the said line of business and has established relations with customers and suppliers.

Established network of over 100 dealers:

The company sells its products under the 'Singal India' brand name through its network of around 100 dealers across India. Around 75 per cent sales are from northern India and the rest from west and the south.

Moderate financial risk profile:

LPL has moderate financial risk profile marked by net worth of Rs. 10.24 crore as on 31 March 2017 (Provisional) which includes unsecured loans to the tune of Rs. 0.70 crore considered as quasi equity. The networth stood at Rs. 8.84 crore as on 31 March, 2016. The gearing stood high at 1.88 times as on 31 March, 2017 as against 2.28 times a year earlier. The interest coverage ratio deteriorated to 1.97 times in FY2017 (Provisional) as against 2.16 times in FY2016. The DSCR has been moderate at 1.60 times for FY2016-17 (Provisional) as against 1.77 times for FY2015-16.

Weaknesses

Moderate scale of operations with uneven revenues:

The revenue has been moderate at Rs. 81.62 crore for FY2016-17 as against Rs. 66.08 crore for FY2015-16. Also, the revenue trend is uneven as the company was not operational in the month of February and March 2016.

Working capital intensive operations:

The operations of LPL are working capital intensive marked by high GCA days of 174 days in FY2017 (Provisional). This is on account of high debtor days at 79 days in FY2017 (Provisional) as against 109 days in FY2015-16. The inventory holding period stood at 31 days in FY2017 (Provisional) as against 35 days in FY2016. The working capital cycle days are also high at 96 days in FY2017 (Provisional) as against 99 days in FY2016. The bank limit utilisation stood at 90 per cent for the last six months ended July, 2017.

Highly fragmented and competitive industry

The company is exposed to intense competition in the industry from several small and large players affecting margins.

Susceptibility of margins to fluctuation in raw material prices

The raw material (HR coils) constitutes 80 per cent of the total cost of sales. The prices of HR coils are volatile in nature and may impact margins.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of Laxmi Pipes Limited to arrive at the rating.

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Outlook: Stable

SMERA believes that LPL will maintain a stable outlook over the medium term owing to 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.

About the rated entity – key financials

For FY2016-17 (Provisional), the company reported profit after tax (PAT) of Rs.1.41 crore on operating income of Rs.81.58 crore, compared with net profit of Rs.1.37 crore on operating income of Rs. 66.08 crore for FY2015-16.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
25-July, 2016	Cash credit	Long term	15.00 (Enhanced from Rs. 10.00 Cr.)	SMERA BB+/ Stable (Reaffirmed)
	Term loan	Long term	4.75	SMERA BB+/ Stable (Assigned)
	Proposed Long term facilities	Long term	0.25	SMERA BB+/ Stable (Assigned)
02-Nov, 2015	Cash Credit	Long Term	10.00	SMERA BB+/Stable (Upgrade)
20-Jan, 2015	Cash Credit	Long Term	10.00	SMERA BB/Stable (Assigned)

***Annexure - Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	N.A	N.A	N.A	18.50 (Enhanced from Rs. 15.00 cr)	SMERA BB+/Stable (Reaffirmed)
Term loan	N.A	N.A	N.A	4.75	SMERA BB+/Stable (Reaffirmed)
Proposed Long term facility	N.A	N.A	NA	0.25	SMERA BB+/Stable (Reaffirmed)

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ABOUT SMERA

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