

Press Release

Lakshmi Pipe Industries

September 26, 2018



Rating Assigned

| | |
|-------------------------------------|----------------------------|
| Total Bank Facilities Rated* | Rs. 5.40 Cr. |
| Long Term Rating | ACUITE B / Outlook: Stable |

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (**read as ACUITE B**) on the Rs. 5.40 crore bank facilities of Lakshmi Pipe Industries. The outlook is '**Stable**'.

Lakshmi Pipe Industries was established in 1993 as a partnership firm by Mr. Lalit Kumar Lalwani Mr. Ramesh Kumar Lalwani and Mr. Praveen Kumar Lalwani. The firm is engaged in the manufacturing of stainless steel sheets/Pattas. The manufacturing plant is located in Jodhpur with an installed capacity to manufacture 3000 metric tons per annum.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

LPI was established as a partnership firm in 1993 by Mr. Lalit Kumar Lalwani Mr. Ramesh Kumar Lalwani and Mr. Praveen Kumar Lalwani. The partners have been associated with the steel industry for more than two decades and have developed healthy relations with their customers and suppliers.

Weaknesses

- **Weak Financial Risk Profile**

LPI's has weak financial risk profile marked by low net worth of Rs.1.97 crore as on 31st March 2018 (Provisional) as against Rs.1.55 crore as on 31st March 2017. The gearing stood high at 3.53 times as on 31st March 2018 (Provisional) against 3.41 times as on 31st March 2017. The total debt as on 31st March 2018 (Provisional) stood at Rs.6.96 crore including Rs.1.51 crore of long term loans from the bank Rs.0.81 crore of unsecured loans from the promoters and Rs.4.64 crore of short term borrowing from the bank. The net cash accruals stood at Rs.0.17 crore in FY2018 (Provisional) against a debt obligation of Rs.0.27 crore. The interest coverage ratio stood at 1.27 times in FY2018 (Provisional) against 1.23 times in the previous year. The total outside liabilities to total net worth ratio stood at 4.79 times as on 31st March 2018 (Provisional).

- **Competitive and fragmented industry**

The company operates in a highly competitive and fragmented industry with presence of various organized and unorganized players in the industry.

- **Susceptibility of margins to fluctuations in raw material prices**

LPI's major raw material is steel whose prices are highly fluctuating in nature. Hence the firm's margins are susceptible to changes in steel prices. The firm's ability to pass on these fluctuations to its customers is a key rating indicator.

Analytical Approach

Acuité has considered standalone business and financial risk profile of Lakshmi Pipe Industries to arrive at the rating.

Outlook: Stable

Acuité believes LPI will maintain a Stable profile over medium term on the back of its experienced management. The outlook may be revised to Positive in case the company registers more than expected growth in revenues while achieving improvement in profitability. Conversely the outlook may

be revised to negative in case of high working capital requirements increasing the pressure on margins or debt funded capex deteriorates financial risk profile of the company.

About the Rated Entity - Key Financials

| | Unit | FY18 (Provisional) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|--------------------|---------------|---------------|
| Operating Income | Rs. Cr. | 22.30 | 18.30 | 16.30 |
| EBITDA | Rs. Cr. | 0.70 | 0.56 | 0.55 |
| PAT | Rs. Cr. | 0.13 | 0.06 | 0.05 |
| EBITDA Margin | (%) | 3.15 | 3.07 | 3.35 |
| PAT Margin | (%) | 0.58 | 0.35 | 0.31 |
| ROCE | (%) | 9.50 | 9.20 | 8.69 |
| Total Debt/Tangible Net Worth | Times | 3.53 | 3.41 | 3.26 |
| PBDIT/Interest | Times | 1.27 | 1.23 | 1.19 |
| Total Debt/PBDIT | Times | 8.60 | 8.22 | 7.87 |
| Gross Current Assets (Days) | Days | 166 | 167 | 165 |

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-----------------------------|-------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 4.00 | ACUITE B / Stable |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 0.33 | ACUITE B / Stable |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 0.39 | ACUITE B / Stable |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 0.59 | ACUITE B / Stable |
| Proposed Bank Facility | Not Applicable | Not Applicable | Not Applicable | 0.09 | ACUITE B / Stable |

Contacts

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About Acuité Ratings & Research:

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