



## Infomerics Valuation and Rating Pvt Ltd

### Press Release

**Infomerics has assigned IVR AA/ Stable Outlook** (pronounced IVR double A with Stable Outlook) rating to the 5 years Non-Convertible Debentures/Long-term Borrowing programme of Srikalahasthi Pipes Ltd. for an amount of Rs.200 crores.

#### **Rating & Definition**

Infomerics Valuation and Rating Pvt. Ltd. has assigned a **rating of IVR AA/ Stable Outlook** (pronounced IVR double A with Stable Outlook) to the Non-Convertible Debentures/Long-term Borrowing programme of Srikalahasthi Pipes Ltd. (SPL) for an amount of Rs.200 crores (existing – Rs.132.06 crores and proposed – Rs.67.94 crores). The NCDs/Long-term borrowings shall be repaid over a maximum period of five years. Instruments/Borrowing programmes with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.

#### **Rating Rationale**

The aforesaid rating derives comfort from the long & established standing of Electrosteel group of Kolkata, leadership position of the group in the Ductile Iron (D. I.) pipe segment and SPL's dominance in the Southern India D. I. pipe market, operating efficiency due to strong backward integration, comfortable financials with satisfactory debt-servicing parameters, steady & significant improvement in profitability, satisfactory capital structure and buoyant outlook for domestic D. I. pipe market. However, the rating is constrained by the company being exposed to fluctuation in iron ore and finished goods prices, one of the major companies of the group incurring cash loss over the years and increasing competition in the D. I. pipe segment. Going forward, SPL's ability to remain dominant in its territory of the D. I. pipe market in the midst of increasing competition, continuity of order intake backed by government initiative and availability & price trend in iron ore shall be the major rating drivers.



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### Company Background

SPL, promoted in 1991 by the Hyderabad based LANCO group, currently belongs to the Electrosteel group of Kolkata. The company is engaged in manufacturing of DI spun pipes, foundry & SG-grade pig iron, Low Ash Metallurgical Coke (LAMC) and portland slag cement with D. I. Pipes constituting over 75% of its turnover during the last three years. It has single location manufacturing facilities situated at Rachagunneri, Andhra Pradesh. SPL is one of the major players (having about 17% market share) in the domestic D. I. pipe industry, while the Electrosteel group (Electrosteel Castings Ltd. and SPL together) enjoys an aggregate market share of about 40%.

The financial position of the company witnessed a significant improvement over the last two years. In FY2016, the company reported a Profit After Tax of Rs.158.8 crores (up from Rs.82.2 crores in FY2015) on a Total Income of Rs.1162.9 crores (Rs.1,092.2 crores in FY2015)

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