

### SriKalahasthi Pipes Ltd

SriKalahasthi Pipes (SPL), formerly known as Lanco Industries (LIL), is a South-India based integrated pipe manufacturing company engaged in supply of ductile iron (DI) pipes for water supply. While on a pan-India basis, SPL commands 13% market share in the DI pipes segment, in its focussed markets i.e. south and west zone (Andhra Pradesh, Telangana, Karnataka, Kerala, Tamil Nada, Maharashtra and Goa) SPL's market share is as high as ~75%. Given the strong push by the government on improving water supply and sewerage infrastructure coupled with leadership position in southern and western Indian market (75% share in south and west zone), SPL is well placed to cater to the rising demand.

Dupont Of SriKalahasthi Pipes	Net Profits / Sales	X	Sales/ Total Assets	X	Total Assets / Equity	ROE
	Net Margin		Asset Turnover		Equity Multiplier	
2015	7.39%		1.67		2.29	28.33%
2014	3.94%		1.56		2.82	17.33%
2013	-1.50%		1.39		3.20	-6.70%

	2015	2014	2013
Sales	1123	989	864
Net Profit	83	39	-13
Net Worth	293	225	194
Assets	672	634	621

Revenues	1,081.86	1,011.04	865.24	835.58	735.64	10.12%
Operating Profit	185.62	117.02	51.25	65.26	87.13	20.81%
%	<b>17.16%</b>	<b>11.57%</b>	<b>5.92%</b>	<b>7.81%</b>	<b>11.84%</b>	<b>9.71%</b>
Net Margin	82.98	38.7	-13.1	-3.95	42.03	18.54%
%	7.67%	3.83%	-1.51%	-0.47%	5.71%	7.64%
EPS	20.87	9.73	-3.29	-0.99	10.57	18.54%
Networth	293.29	225.48	193.77	206.86	211.4	<b>8.53%</b>
Total Debt	378.63	410.2	427.36	450.71	316.65	<b>4.57%</b>
Cash & Bank	59.25	57.35	10.21	10.24	19.18	<b>32.57%</b>
Operating Cash Flow	157.62	145.12	185.15	-14	37.79	<b>42.91%</b>
ROCE	24.27	15.15	6.29	8.16	13.37	16.07%

<b>PEG</b>	<b>0.66*</b>

\*Assumes  
20%  
forward  
CAGR

Quarterly numbers in June and Sept 15 look to be in line with this trend as well. Given expected sharp uptick in product demand from Telengana growth, management has announced an INR 100 Crore investment plan to expand capacity. All good signs that there is expansion and the ability and willingness to fund and go after it. Yet the stock is on a decline since results for Q2 have come out. The stock has come off from INR 308 on 30<sup>th</sup> Oct (date of announcement of results) to about INR 276, which is almost a 10% decline on the back of good numbers and robust signals from management. Is it because it signals further debt? Does market fear dilution? Any insights?