

Business Today –Yes Bank Emerging Companies Excellence Awards 2014

Winner : Shri Lakshmi Metal Udyog Limited

- 1. Best Emerging Company (Mid-sized Companies),*
- 2. Excellence in Performance & Business Scalability*

When Sanjay Gupta acquired the Bangalore-based Shri Lakshmi Metal Udyog (SLMU) in 2008, the maker of steel tubes was using less than a fifth of its annual capacity of 60,000 metric tonnes. At the time, Gupta was running pipe-making company Bihar Tubes out of New Delhi and was looking to expand his business. "The previous promoters of SLMU were traders who had little interest in running this unit. So when the opportunity came to us, we grabbed it," says Gupta, who is now the Chairman of SLMU.

Since its buyout, there's no looking back for SLMU. Soon after the acquisition, Gupta fixed the bottlenecks in the supply chain and manufacturing processes. He prepared an expansion plan to cater to rising demand from southern India and entered into fresh raw material sourcing contracts to meet its growth needs. Today, the company has an annual capacity of 100,000 metric tonnes with almost 70 per cent utilisation.



The steel pipes made by SLMU are used across a variety of sectors, including construction, auto, and transportation. "We have single-handedly created a market for rooftop pipes in Kerala that today accounts for roughly 80 per cent of our business," says Gupta.



Moving with Speed : Mr. Sanjay Gupta, Chairman

In coastal areas, where rainfall is frequent, rooftops are usually sloped to protect the walls from moisture. SLMU replaced the conventional roofing methods with its products that were economical, easier to install, aesthetically stylish and had a longer life. The acquisition also prompted Gupta to focus on product innovation, which helped in improving production output and profit margins. Prior to 2008, SLMU was bringing out about 18 products. This number was increased substantially to 600. With more value-added products, the company could cater to more type of customers in states such as Kerala, Tamil Nadu, Karnataka and Andhra Pradesh. "By changing the product mix, we increased both top line and bottom line numbers," says Gupta, 43.

Gupta also shifted SLMU to Japanese technology that increased yield and improved efficiency. For instance, in the conventional technology, every tonne of raw material would produce 90 tonnes of finished product. With the new technology, the output went up to 96 tonnes. To boost the profit margin, the company optimised the production process. The cold-rolled production process, almost unnecessary in producing steel pipes that SLMU makes, was done away with. The raw material is now directly galvanized to make finished goods. It helped save about Rs 4,000 per tonne in production costs.

These efforts have paid off. The company's profit margin has jumped from around two per cent six years ago to about 10 per cent now. In 2013/14, SLMU clocked revenues of Rs 358 crore, a five-fold rise over 2007/08 revenues of Rs 70 crore. The target for next year is Rs 500 crore.

The rapid expansion did not result in SLMU becoming overleveraged, as it happened with several steel and cement makers. The expansion is funded through a mix of debt and internal accruals. Its total debt-to-equity ratio is 0.48:1.

SLMU main competitors include Tata Steel, Surya Roshni and Jindal Industries, among others. Gupta says the usage of pipes increases with a rise in disposable income. The market for steel tubes in India stands at 6 million metric tonnes a year and is growing at more than 12 per cent annually. "The steel industry grows at 1.5 times the growth of GDP. Pipe market grows at a slightly higher rate than that," says Gupta. "Given that the GDP growth is likely to accelerate, the pipe industry will grow even faster."

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<p>Business Today requests the pleasure of your company at the Business Today Emerging Companies Excellence Awards presented by YES BANK</p> <p>on Friday, November 7, 2014 from 7:30 pm onwards at Nandya Garden, ITC Maurya, Diplomatic Enclave, Sardar Patel Marg, New Delhi</p> <p>Chief Guest Ram Vilas Paswan Union Minister for Consumer Affairs, Food and Public Distribution Government of India</p> <p>Guest of Honour Amitabh Kant Secretary, Department of Industrial Policy & Promotion Government of India</p>	<p>Join us as we celebrate</p> <p>YES BANK</p> <p>presents</p> <p>business today</p> <p>EMERGING COMPANIES excellence awards 2014</p> <p>Procedure Reviewer: pwc TV Partner: ET NOW</p>	<p>The event will be followed by cocktails & dinner Dress Code: Formal</p> <p>RSVP: Bhanu Malik Tel: +91 0120 4807100 (Extn: 3278) Email: bhanu.malik@jintoday.com</p> <p>Nitin Das Tel: +91 11 6656 9034 Email: nitin.das@yesbank.in</p>
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