

September 03, 2014

Facilities	Amount (Rs. Crore)	Ratings
Term Loans	4.28	SMERA B+/Stable (Assigned)
Export Packing Credit	1.65*	SMERA A4 (Assigned)
Cash Credit	0.75	SMERA B+/Stable (Assigned)
Foreign Bill Discounting	1.45	SMERA A4 (Assigned)
Forward Contract	0.12	SMERA A4 (Assigned)

**Interchangeability from EPC to FBP/FBD*

SMERA has assigned a long-term rating of '**SMERA B+**' (read as **SMERA single B plus**) and a short-term rating of '**SMERA A4**' (read as **SMERA A four**) to the Rs.8.25 crore bank facilities of Lodha Offset Limited (Lodha). The outlook is '**Stable**'. The ratings are constrained by the company's exposure to customer concentration risk. The ratings are also constrained by the susceptibility of the company's profit margins to fluctuations in foreign exchange rates. The ratings factor in risks related to the company's weak financial profile. However, the ratings are supported by the company's experienced management and reputed clientele.

Lodha, incorporated in 1991, is a Jodhpur-based company engaged in manufacturing and export of paper-based stationery products, such as notebooks, writing pads and spiral pads. Moreover, Lodha has recently entered into offset printing business. The company is exposed to customer concentration risk arising from high dependence on orders received from five major customers. Lodha's profit margins are susceptible to foreign exchange fluctuation risk arising on account of unhedged receivables from export sales. The company's weak financial risk profile is reflected in high gearing (debt-equity ratio) of 2.82 times (provisional) as on March 31, 2014 and moderate interest coverage ratio of 1.58 times (provisional) in FY2013-14 (refers to financial year, April 01 to March 31).

Lodha benefits from its experienced management. Mr. Ganpat Lodha, director of Lodha, has around three decades of experience in the stationery industry. Lodha caters to several reputed customers, including Bikanerwala, Mayur Suitings and Grasim Suitings.

Outlook: Stable

SMERA believes Lodha will maintain a moderate business risk profile over the medium term on the back of established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers significant growth in profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's profit margins.

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SMERA RATINGS LIMITED

Lodha Offset Limited (Lodha)

*Rating
Rationale*

About the company

Lodha, incorporated in 1991, is a Jodhpur-based company promoted by Mr Ganpat Lodha. Lodha is engaged in manufacturing and export of paper-based stationery products. The company has recently entered into offset printing business. The overall operations of the company are currently managed by Mr. Ganpat Lodha and Mr. Namit Lodha. Lodha has sales offices in USA and Panama.

For FY2013-14 (as per provisional financial statements), Lodha reported profit after tax (PAT) of Rs.0.07 crore on net sales of Rs.12.78 crore, as compared with PAT of Rs.0.07 crore on net sales of Rs.12.08 crore for FY2012-13. The company's net worth stood at Rs.2.63 crore (provisional) as on March 31, 2014, as compared with Rs.2.09 crore a year earlier.

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