



SMERA RATINGS LIMITED

S.M. Lulla Industries World Wide (SML)

*Rating
Rationale*

February 26, 2015

Facilities	Amount (Rs. Crore)	Ratings
Export Packaging Credit*	2.50	SMERA BBB-/Stable (Assigned)
Foreign Bill Discounting (Non-LC)#	7.00	SMERA A3 (Assigned)
Proposed Foreign Bill Discounting (Non-LC)	3.00	SMERA A3 (Assigned)
Foreign Bill Discounting (LC)^	1.50	SMERA A3 (Assigned)
Foreign Exchange Forward	1.20	SMERA A3 (Assigned)
Letter of Credit	3.00	SMERA A3 (Assigned)

*Fully interchangeable with FBD (Non-LC)

#Interchangeable with EPC to the extent of Rs.2.50 crore

^Interchangeable with EPC to the extent of Rs.2.50 crore

SMERA has assigned a long-term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) and a short-term rating of '**SMERA A3**' (read as **SMERA A three**) to the Rs.18.20 crore bank facilities of S.M. Lulla Industries Worldwide (SML). The outlook is '**Stable**'. The ratings derive comfort from the firm's experienced management, established relations with customers, healthy revenue growth and moderate financial risk profile. However, the ratings are constrained by the firm's low net worth. The ratings are also constrained by the susceptibility of the firm's profit margins to volatility in raw material prices.

SML, established in 1994, is a Chennai-based partnership firm engaged in manufacturing and export of leather garments. SML benefits from its experienced management. Mr. S. M. Lulla, managing partner of SML, has around two decades of experience in the leather industry. SML also benefits from its long-standing relations of around two decades with its customers. The firm's revenue has grown at a healthy compound annual growth rate (CAGR) of ~28 per cent over the past five years. SML's moderate financial risk profile is marked by net worth of Rs.7.81 crore and gearing (debt-to-capital ratio) of 0.88 times as on March 31, 2014.

SML's profit margins are highly susceptible to volatility in prices of raw material.

Outlook: Stable

SMERA believes SML will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm registers sustained improvement in profitability while maintaining healthy revenue growth. Conversely, the outlook will be revised to 'Negative' in case of significant decline in the firm's revenue and profit margins

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**About the firm**

SML, established in 1994, is a Chennai-based partnership firm promoted by Mr. S. M. Lulla. SML is engaged in manufacturing and export of leather garments. The firm caters to customers in Europe and Canada.

For FY2013–14, SML reported profit after tax (PAT) of Rs.3.08 crore on operating income of Rs.115.48 crore, as compared with PAT of Rs.2.55 crore on operating income of Rs.99.41 crore in FY2012–13. SML's net worth stood at Rs.7.81 crore as on March 31, 2014, as compared with Rs.4.53 crore a year earlier.

Contact List

Media/Business Development	Analytical Contacts	Rating Desk
Virendra Goyal Vice President – SME Sales Tel: +91-22-6714 1177 Cell: +91 9930074009 Email: virendra.goyal@smera.in Web: www.smera.in	Ashutosh Satsangi Vice President – Operations Tel: +91-22-6714 1107 Email: ashutosh.satsangi@smera.in	Tel: +91-22-6714 1170 Email: ratingdesk@smera.in

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