

August 25, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loans	2.07	SMERA BBB+/Stable (Assigned)
Cash Credit Facilities	3.00	SMERA BBB+/Stable (Assigned)
Letter of Credit	1.75	SMERA A2 (Assigned)
Proposed Letter of Credit	0.18	SMERA A2 (Assigned)
Bank Guarantees	10.00	SMERA A2 (Assigned)

SMERA has assigned a long term rating of '**SMERA BBB+**' (**read as SMERA triple B plus**) and short term rating of '**SMERA A2**' (**read as SMERA A two**) to the above mentioned bank facilities of Lonestar Industries (LI). The outlook is '**Stable**'. The ratings reflect the strong market position and extensive experience of the promoters in the metal expansion joints manufacturing industry and its above-average financial risk profile marked by healthy net worth and strong debt protection metrics. However, the ratings are constrained by the susceptibility of the firm's profitability to volatility in raw material prices.

Outlook: Stable

SMERA believes LI will continue to benefit over the medium term from the long track record of the promoters in the industry. The outlook may be revised to 'Positive' in case the firm registers strong growth in revenue while maintaining its healthy profitability and improved working capital management. The outlook may be revised to 'Negative' in case the firm registers lower cash accruals or in case of deterioration in the firm's working capital management leading to deterioration in the liquidity.

Rating Sensitivity Factors

- Considerable improvement in revenues
- Sustained improvement in profitability

About the Firm

LI, incorporated in 1985, is a Chennai-based firm engaged in the manufacture of metal expansion joints and bellows used in pipelines, process ducts, turbines among others.

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