

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.

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.



SMERA RATINGS LIMITED

## Lonestar Industries (LI)

## Rating Rationale

### Contact List:

Media/ Business Development	Analytical Contact	Rating Desk
Antony Jose Vice President – Business Development Tel: +91-22-6714 1191 Email: <a href="mailto:antony.jose@smera.in">antony.jose@smera.in</a>	Mohit Jain Vice President – Rating Operations Tel: +91-22-6714 1105 Email: <a href="mailto:mohit.jain@smera.in">mohit.jain@smera.in</a>	Tel: +91-22-6714 1184 Email: <a href="mailto:ratingdesk@smera.in">ratingdesk@smera.in</a>

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.