

January 15, 2016

Facility	Amount (Rs. Crore)	Rating
Cash Credit	20.00	SMERA BBB+/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA BBB+**' (read as SMERA triple B plus) to the above mentioned bank facility of Nezone Strips Limited (NSL). The outlook is '**Stable**'. The rating is supported by the experienced management, long track record of operations and healthy revenue growth. The rating also draws support from the reputed and diversified customer base and healthy financial risk profile marked by low gearing, healthy debt protection metrics and comfortable networth base. However, the rating is constrained by the working capital intensive nature of business and susceptibility of profitability to volatility in raw material prices. Also, the company's exposure to intense market competition in the steel tube industry is yet another constraining factor.

Outlook: Stable

SMERA believes that the outlook of the company will remain stable on account of its experienced management and established market presence since 1999. The outlook maybe revised to 'Positive' if there is significant improvement in the working capital cycle of the company and further geographical diversification in revenues. Conversely, the outlook maybe revised to 'Negative' if the financial risk profile deteriorates on account of declining revenue and profitability weakening the above average financial risk profile of the company.

Rating Sensitivity

- Scaling up operation and improvement in profitability
- Efficient working capital management

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About the Company

NSL, incorporated in 1999, is a Kolkata-based company that manufactures cold rolled strips, precision and M.S pipes at Dankuni, West Bengal. The installed capacity of the company is 96000 MT per annum and the administrative office is located at Kolkata.

NSL reported profit after tax (PAT) of Rs.9.22 crore on operating income of Rs.412.80 crore for FY2014-15, as compared with PAT of Rs.8.17 crore on operating income of Rs.376.69 crore in FY2013-14.

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