February 18, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	16.00*	SMERA BB/Stable (Reaffirmed)
Term Loan	0.50	SMERA BB/Stable (Reaffirmed)
Letter of Credit	4.00	SMERA A4+ (Reaffirmed)
Bank Guarantee	0.50	SMERA A4+ (Reaffirmed)

**Includes Letter of Credit as a sublimit to the extent of Rs.1.50 crore*

SMERA has reaffirmed the long-term rating of **'SMERA BB' (read as SMERA double B)** and short-term rating of **'SMERA A4+' (read as SMERA A four plus)** on the above mentioned bank facilities of R. K. Metal & Plastic Private Limited (RKMPL). The outlook is **'Stable'**.

To arrive at the ratings, SMERA has consolidated the business and financial risk profiles of RKMPL and Yash Plastomet Private Limited (Yash), together referred to as the 'RK Group'. The consolidation is in view of the common ownership, similarity in the business models and strong operational linkages between the entities.

The ratings continue to derive support from the group's reputed clientele, stable profit margins and experienced management. However, the ratings are constrained by the working capital-intensive operations, moderate financial risk profile and intense market competition in the plastic packaging industry. The ratings also note that the group's profit margins are susceptible to fluctuations in forex rates.

Outlook: Stable

SMERA believes that RKMPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company registers substantial increase in its scale of operations while achieving better net profit margins. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the projected scalability in revenues amidst intensifying competition in its area of operation or if the financial risk profile deteriorates on account of higher-than-expected increase in debt-funded working capital requirements.

Rating Sensitivity Factors

- Increasing scale of operations
- Maintaining operating profit margins amidst raw material fluctuations

- Efficient working capital management and bank limit utilisation

About the Group

The RK Group comprises two entities viz. R. K. Metal & Plastic Private Limited (incorporated in 1998) and Yash Plastomet Private Limited (incorporated in 2000). The group is engaged in the manufacture of injection moulded plastic containers used in the packaging of paints, lubricants and oil. The group has two manufacturing facilities in Daman and the overall operations are managed by Mr. Pankaj Seth.

For FY2014-15, the RK Group reported net profit of Rs.0.84 crore on total income of Rs.74.34 crore, as compared with net profit of Rs.1.84 crore on total income of Rs.73.11 crore in FY2013–14.

About the Company

For FY2014-15, RKMPL reported net profit of Rs.0.30 crore on total income of Rs.54.40 crore, as compared with net profit of Rs.1.12 crore on total income of Rs.52.36 crore in FY2013-14.

Contact List

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