

Press Release

R K Metal And Plastic Private Limited

July 20, 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 21.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB**' (**read as SMERA BB**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 21.00 crore bank facilities of R K Metal And Plastic Private Limited. The outlook is '**Stable**'.

R K Metal and Plastic Private Limited (RKMP), incorporated in 1998 is a Mumbai-based company engaged in the manufacturing of injection moulded plastic containers primarily used in paints, lubricants and oil industries. The installed capacity stands at 2500 mtpa with current utilisation being around 90 percent. The company is ISO 9001:2000 certified.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

The promoters, Mr. Pankaj Seth and Mrs. Meera Seth have more than a decade of experience in the plastic industry. The RK group benefits from its long track record of operations and relations it has been able to forge with customers and suppliers.

- **Average financial risk profile**

The RK group has average financial risk profile marked by networth of Rs.15.38 crore as on 31 March, 2016 compared to Rs.14.63 crore as on 31 March 2015. The gearing of the group stood at 2.25 times as on 31 March 2016 as against 2.08 times as on 31 March, 2015. The interest coverage ratio stood at 1.54 times for FY2015-16 compared to 1.75 times in FY2014-15.

- **Reputed customer base**

The RK Group has a reputed customer base which includes oil and paint companies such as Hindustan Petroleum, Indian Oil Corporation Ltd, Gulf Oil, Total Oil India Pvt Ltd to name a few. The orders are tender based with inbuilt price escalation clause that protects the margins of the group.

Weaknesses

- **Working capital intensive operations**

The RK group's working capital cycle increased from 146 days to 173 days. The inventory holding increased considerably. The operations are working capital intensive. Consequently, RK group's average utilisation of working capital limit has been high at 95 per cent. The GCA days stood at 215 in FY2015-16 on account of high inventory days of 176.

- **Susceptibility of revenues and profits to volatility in raw material prices**

The operating margins are susceptible to movement in raw material prices which are linked to fluctuations in crude prices. The group has been able to maintain the operating margins in the past

three years.

Analytical Approach

SMERA has consolidated the business and financial risk profiles of Yash Plastomet Private Limited and R. K. Metals & Plastic Private Limited, together referred to as the RK Group. The consolidation is in view of the common ownership and similarity in the business models of the entities apart from strong operational linkages.

Outlook: Stable

SMERA believes that the RK group will maintain a stable outlook over the medium term owing to its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case of substantial increase in scale of operations while achieving better profit margins. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the projected scalability in revenues amidst intensifying competition in its area of operations or deterioration in the financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

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.

About the Rated Entity - Key Financials

On consolidated basis, the R K group reported net profit after tax (PAT) of Rs. 0.76 crore on operating income of Rs. 75.15 crore in FY2015-16 compared to PAT of Rs. 0.84 crore on operating income of Rs.74.34 crore in the previous year. The net worth stood at Rs.15.38 crore as on 31 March, 2016 compared to Rs.14.63 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable)

CRISIL in the press release dated May 07, 2015 has suspended the rating of R K Metal and Plastic Private Limited and has stated the following 'The suspension of ratings is on account of non-cooperation by RKMP with CRISIL's efforts to undertake a review of the ratings outstanding. Despite repeated requests by CRISIL, RKMP is yet to provide adequate information to enable CRISIL to assess RKMP's ability to service its debt'

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
18-Feb-2016	Cash Credit	Long Term	INR 16	SMERA BB / Stable
	Term Loan	Long	INR 0.5	SMERA BB / Stable

		Term		
	Letter of Credit	Short Term	INR 4	SMERA A4+
	Bank Guarantee	Short Term	INR 0.5	SMERA A4+
20-Nov-2014	Cash Credit	Long Term	INR 16	SMERA BB / Stable
	Term Loan	Long Term	INR 0.5	SMERA BB / Stable
	Letter of Credit	Short Term	INR 4	SMERA A4+
	Bank Guarantee	Short Term	INR 0.5	SMERA A4+

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA BB / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	16.00	SMERA BB / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A4+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4+

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 varsha.bist@smera.in
Vishal Choudhary Senior Analyst - Rating Operations Tel: 022-67141159 vishal.choudhary@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

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) for the latest information on any instrument rated by SMERA.