

## Press Release

### R. K. Metal & Plastic Private Limited



16 March, 2018

#### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs. 21.00 Cr.
<b>Long Term Rating</b>	SMERA BB / Outlook: Stable
<b>Short Term Rating</b>	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 group has average financial risk profile marked by average net worth of Rs.15.94 crore as on 31 March, 2017 compared to Rs.15.38 crore as on 31 March, 2016. The gearing of the group stood at 2.23 times as on 31 March, 2017 compared to 2.25 times as on 31 March, 2016. The interest coverage ratio stood at 1.38 times for FY2016-17 as compared to 1.54 times for FY2015-16.

###### • 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 working capital cycle increased from 161 days in FY2016 to 170 days in FY2017. The inventory holding increased considerably leading to working capital intensity. The RK Group's average utilisation of working capital limit is high at 95 per cent. The GCA days stood at 228 in FY2016-17 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 YashPlastomet 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 YashPlastomet 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

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	80.32	81.05	78.92
EBITDA	Rs. Cr.	7.85	7.47	7.29
PAT	Rs. Cr.	0.56	0.75	0.84
EBITDA Margin (%)	(%)	9.77	9.22	9.23
PAT Margin (%)	(%)	0.70	0.93	1.06
ROCE (%)	(%)	12.62	12.95	13.24
Total Debt/Tangible Net Worth	Times	2.23	2.25	2.08
PBDIT/Interest	Times	1.38	1.51	1.75
Total Debt/PBDIT	Times	4.45	4.55	4.11
Gross Current Assets (Days)	Days	228	200	191

### 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

Not Available

### 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
20-July-2017	Cash Credit	Long Term	INR 16	SMERA BB / Stable (Reaffirmed)
	Term Loan	Long Term	INR 0.5	SMERA BB / Stable (Reaffirmed)
	Letter of Credit	Short Term	INR 4	SMERA A4+ (Reaffirmed)
	Bank Guarantee	Short Term	INR 0.5	SMERA A4+ (Reaffirmed)
18-Feb-2016	Cash Credit	Long Term	INR 16	SMERA BB / Stable (Reaffirmed)
	Term Loan	Long Term	INR 0.5	SMERA BB / Stable (Reaffirmed)
	Letter of Credit	Short Term	INR 4	SMERA A4+ (Reaffirmed)
	Bank Guarantee	Short Term	INR 0.5	SMERA A4+ (Reaffirmed)
20-Nov-2014	Cash Credit	Long Term	INR 16	SMERA BB / Stable (Assigned)
	Term Loan	Long Term	INR 0.5	SMERA BB / Stable (Assigned)
	Letter of Credit	Short Term	INR 4	SMERA A4+ (Assigned)
	Bank Guarantee	Short Term	INR 0.5	SMERA A4+ (Assigned)

### \*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 (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	16.00	SMERA BB / Stable (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A4+ (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4+ (Reaffirmed)

## Contacts

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: +91-22-6714 1107 <a href="mailto:suman.chowdhury@smera.in">suman.chowdhury@smera.in</a>	VarshaBist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a>
Vishal Choudhary, Analyst - Rating Operations Tel: +91-22-6714 1159 <a href="mailto:vishal.choudhary@smera.in">vishal.choudhary@smera.in</a>	

## ABOUT SMERA

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