

November 20, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	5.00*	SMERA BB/Stable (Assigned)
Term Loan 1	0.75	SMERA BB/Stable (Assigned)
Term Loan 2	1.52	SMERA BB/Stable (Assigned)
Letter of Credit	2.00	SMERA A4+ (Assigned)
Bank Guarantee	0.50	SMERA A4+ (Assigned)

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

SMERA has assigned a long-term rating of '**SMERA BB**' (read as **SMERA double B**) and a short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the abovementioned bank facilities of Yash Plastomet Private Limited (Yash). The outlook is '**Stable**'. For arriving at the ratings, SMERA has consolidated the business and financial risk profiles of Yash and R. K. Metal & Plastic Private Limited (RKMPL), together referred to as the '**RK Group**'. The consolidation is in view of the common ownership and similar business model of the entities. The consolidation is also on account of strong operational linkages between the entities. The ratings are supported by the group's reputed clientele, healthy revenue growth, comfortable profit margins and experienced management. However, the ratings are constrained by the group's working capital-intensive operations and moderate financial risk profile. The ratings are also constrained by the group's exposure to intense competition in the plastic packaging industry. The ratings note that the group's profit margins are susceptible to fluctuations in foreign exchange rates.

Yash, incorporated in 2000, is a Daman-based company engaged in manufacturing of injection moulded plastic containers used in packaging of paints, lubricants and oil. The company also provides value-added services such as labelling and printing on containers. Yash caters to several reputed customers including Indian Oil Corporation Limited and Gulf Oil Lubricants India Limited. Yash's revenues increased at a healthy compound annual growth rate (CAGR) of 26 per cent during FY2009-10 (refers to financial year, April 01 to March 31) to FY2013-14 on account of addition of new customers. The company's operating profit margin increased from 8.45 per cent in FY2012-13 to 14.72 per cent (provisional) in FY2013-14 on account of decline in raw material prices and increase in earnings from value-added services.

The RK Group's revenues increased at a healthy compound annual growth rate (CAGR) of 22 per cent during the past five years. The group's net profit margin increased from 7.73 per cent in FY2012-13 to 10.75 per cent (provisional) in FY2013-14. RK Group benefits from its experienced management. Mr. Pankaj Seth, promoter of the RK Group, has around 16 years of experience in the plastic packaging industry.

RK Group's operations are working capital-intensive. The group's gross current assets (GCA) increased from 139 days in FY2012-13 to 186 days in FY2013-14 on account of increase in inventory levels. The group's average utilisation of working capital limit is high at ~97 per cent

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during March 2014 to August 2014. Further, the RK Group availed adhoc facilities (for working capital requirements) during the period under study. The group faces intense competition from several players in the packaging industry.

RK Group's moderate financial risk profile is reflected in leverage of 1.85 times (provisional) as on March 31, 2014 and interest coverage ratio of 2.25 times (provisional) in FY2013-14. The group plans to incur debt-funded capex towards purchase of machineries in FY2014-15. RK Group's profit margins are susceptible to forex fluctuation risk inherent in un-hedged imports.

Outlook: Stable

SMERA believes Yash will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers significant improvement in working capital management. Conversely, the outlook may be revised to 'Negative' in case of stretch in the company's working capital cycle, or in case of deterioration in the company's financial risk profile.

About the group

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 manufacturing of injection moulded plastic containers used in packaging of paints, lubricants and oil. The RK Group has two manufacturing facilities in Daman. The overall operations of the group are managed by Mr. Pankaj Seth.

For FY2013-14 (as per provisional financial statements), RK Group reported net profit of Rs.2.74 crore on total income of Rs.72.86 crore, as compared with net profit of Rs.0.82 crore on total income of Rs.60.63 crore in FY2012-13. The group's consolidated net worth stood at Rs.14.13 crore as on March 31, 2014, as compared with Rs.10.23 crore a year earlier.

About the company

For FY2013-14 (as per provisional financial statements), Yash reported net profit of Rs.1.22 crore on total income of Rs.20.66 crore, as compared with net profit of Rs.0.13 crore on total income of Rs.17.44 crore in FY2012-13.

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SMERA RATINGS LIMITED

Yash Plastomet Private Limited (Yash)

Rating
Rationale

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