

Press Release

Yash Plastomet Private Limited

October 28, 2017

Rating Reaffirmed and Assigned



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| Total Bank Facilities Rated* | Rs. 16.01 Cr. (Enhanced from Rs.9.77 Cr.) |
| Long Term Rating | SMERA BB / Outlook: Stable |
| Short Term Rating | SMERA A4+ |

* Refer Annexure for details

Rating Rationale

SMERA has assigned and 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. 16.01 crore bank facilities of Yash Plastomet Private Limited. The outlook is '**Stable**'.

Yash Plastomet Private Limited, incorporated in 2000, is a Mumbai-based company engaged in the manufacturing of injection moulded plastic containers. The company has an installed capacity of 2500 mtpa with utilisation of 90 per cent.

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 with customers and suppliers.

- **Average financial risk profile**

The group has average financial risk profile marked by average net worth of Rs.16.82 crore as on 31 March, 2017 (Provisional) compared to Rs.15.38 crore as on 31 March, 2016. The gearing of the group stood at 2.17 times as on 31 March, 2017 (Provisional) compared to 2.25 times as on 31 March, 2016. The interest coverage ratio stood at 1.68 times for FY2016-17 (Provisional) as compared to 1.54 times for FY2015-16.

- **Reputed customer base**

The RK Group has a reputed customer base and caters to reputed companies like Hindustan Petroleum, Indian Oil Corporation, Gulf Oil and Total Oil India Pvt Ltd. The company has been bagging repeat orders from these companies. The orders are tender-based with an in-built price escalation clause which protects the margins of the group. The company has a reputed client base.

Weaknesses

- **Working capital intensive operations**

The working capital cycle increased from 161 days to 170 days. 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 248 in FY2016-17 (Provisional) on account of high inventory days of 176.

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

The operating margins of the RK Group are susceptible to movement in raw material prices which are linked to 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 RK 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 model 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 the company fails to achieve the projected scalability in revenues amidst intensifying competition in its area of operation or in case of deterioration in the financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About the entity

The RK Group comprises two entities - R. K. Metal & Plastic Private Limited (incorporated in 1998) and Yash Plastomet Private Limited (incorporated in 2000). The group is engaged in the production of injection moulded plastic containers used in the packaging of paints, lubricants and oil. It 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. 0.92 crore on operating income of Rs. 79.39 crore in FY2016-17 (Provisional) compared to PAT of Rs. 0.76 crore on operating income of Rs. 80.94 crore in the previous year. The net worth stood at Rs.16.82 crore as on March 31, 2017 (Provisional) compared to Rs.15.38 crore a year earlier.

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

NA

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 (last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|-----------|------------------|-------------------|
| 20-Jul-2017 | Cash Credit | Long Term | INR 5 | SMERA BB / Stable |
| | Bank Guarantee | Long Term | INR 1 | SMERA BB / Stable |
| | Letter of Credit | Long Term | INR 3 | SMERA BB / Stable |

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|-------------|------------------|------------|----------|-------------------|
| | Term Loan | Short Term | INR 0.77 | SMERA A4+ |
| 18-Feb-2016 | Cash Credit | Long Term | INR 5 | SMERA BB / Stable |
| | Term Loan I | Long Term | INR 0.75 | SMERA BB / Stable |
| | Term Loan II | Long Term | INR 1.52 | SMERA BB / Stable |
| | Letter of Credit | Short Term | INR 2 | SMERA A4+ |
| | Bank Guarantee | Short Term | INR 0.5 | SMERA A4+ |
| 20-Nov-2014 | Cash Credit | Long Term | INR 5 | SMERA BB / Stable |
| | Term Loan 1 | Long Term | INR 0.75 | SMERA BB / Stable |
| | Term Loan 2 | Long Term | INR 1.52 | SMERA BB / Stable |
| | Letter of Credit | Short Term | INR 2 | 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 |
|------------------------|------------------|----------------|----------------|-----------------------------|------------------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 10.00 | SMERA BB/Stable (Reaffirmed) |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 0.78 | SMERA BB/Stable (Reaffirmed) |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 0.85 | SMERA BB/Stable (Assigned) |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 0.38 | SMERA BB/Stable (Assigned) |
| Bank guarantee | Not Applicable | Not Applicable | Not Applicable | 1.00 | SMERA A4+ (Reaffirmed) |
| Letter of credit | Not Applicable | Not Applicable | Not Applicable | 3.00 | SMERA A4+ (Reaffirmed) |

Contacts

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

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| vishal.choudhary@smera.in | |
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ABOUT SMERA

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