

Press Release

Yash Plastomet Private Limited

March 16, 2018

Rating Reaffirmed and Assigned



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 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.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 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 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 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

	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)

None

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 (last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
28-Oct-2017	Cash Credit	Long Term	INR 10	SMERA BB / Stable (Reaffirmed)
	Term Loan	Long Term	INR 0.78	SMERA BB / Stable (Reaffirmed)
	Term Loan	Long Term	INR 0.85	SMERA BB / Stable (Assigned)
	Term Loan	Long Term	INR 0.38	SMERA BB / Stable (Assigned)
	Bank Guarantee	Short Term	INR 1	SMERA A4+ (Reaffirmed)
	Letter of Credit	Short Term	INR 3	SMERA A4+ (Reaffirmed)
18-Feb-2016	Cash Credit	Long Term	INR 5	SMERA BB / Stable
	Term Loan I	Long Term	INR 0.75	SMERA BB / Stable (Reaffirmed)
	Term Loan II	Long Term	INR 1.52	SMERA BB / Stable (Reaffirmed)
	Letter of Credit	Short Term	INR 2	SMERA A4+ (Reaffirmed)
	Bank Guarantee	Short Term	INR 0.5	SMERA A4+ (Reaffirmed)

*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 Loan	Not Applicable	Not Applicable	Not Applicable	0.78	SMERA BB/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.85	SMERA BB/Stable (Reaffirmed)

Term Loan	Not Applicable	Not Applicable	Not Applicable	0.38	SMERA BB/Stable (Reaffirmed)
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

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ABOUT SMERA

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