



SMERA RATINGS LIMITED

# Rajiv Plastics Industries (RPI)

## Rating Rationale

**March 18, 2016**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	6.45	SMERA BB/Stable (Assigned)
Term Loan	1.17	SMERA BB/Stable (Assigned)
Bank Guarantee	0.85	SMERA A4+ (Assigned)
Proposed Term Loan	1.53	SMERA BB/Stable (Assigned)

SMERA has assigned ratings of '**SMERA BB**' (read as **SMERA double B**) and '**SMERA A4+**' (read as **SMERA A four plus**) to the above mentioned Rs.10.00 crore bank facilities of Rajiv Plastics Industries (RPI). The outlook is '**Stable**'. The ratings draw comfort from the firm's experienced management, established operational track record and moderate financial risk profile. The ratings also factor in the firm's comfortable working capital cycle and moderate revenue visibility. However, the ratings are constrained by the thin profitability in an intensely competitive and fragmented plastic industry. The ratings also take into account the susceptibility of profit margins to volatility in raw material prices and the partnership constitution of the firm.

### Rating Sensitivity Factors

- Ability to scale up operations while maintaining adequate margins
- Effective working capital management
- Higher than expected debt funded capex plan

### Outlook - Stable

SMERA believes RPI will maintain a stable business risk profile over the medium term on account of its experienced management and established relations with reputed clients. The outlook may be revised to 'Positive' if the firm registers higher than expected growth in revenues and profit margins while achieving efficient working capital management. The outlook may be revised to 'Negative' in case of decline in the profit margins or deterioration in the financial risk profile on account of higher-than-expected working capital requirements or debt funded capex plan.

### About the Firm

RPI, established in 1986, is a Mumbai-based partnership firm promoted by Mr. Rajiv A. Seth and Mr. Sanjiv A. Seth. The firm is engaged in the manufacture of plastic blow moulded containers at its facility at Valsad, Gujarat. The total installed capacity of the firm is 3300 tonnes per annum (TPA).

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In FY2014-15, RPI reported net profit of Rs.0.25 crore on operating income of Rs.47.19 crore, as compared to net profit of Rs.0.27 crore on operating income of Rs.45.91 crore in the previous year.

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