

Press Release

21 June, 2017

Rajiv Plastics Industries

Rating Reaffirmed



| | |
|--------------------------------------|---|
| Total Bank Facilities Rated * | Rs. 11.79Cr. (Enhanced from Rs.10.00 Cr) |
| Long Term Rating | SMERA BB/ Outlook: Stable |
| Short Term Rating | SMERA A4+ |

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the 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. 9.79 crore bank facilities and assigned long term rating of '**SMERA BB**' (**read as SMERA BB**) on the Rs. 2.00 crore bank facilities of Rajiv Plastics Industries (RPI). The outlook is '**Stable**'.

Rajiv Plastics Industries (RPI), a Mumbai-based partnership firm is engaged in the manufacture of plastic blow moulded containers at Valsad, Gujarat. The total installed capacity is 3350 tonnes per annum (TPA).

Key Rating Drivers

Strengths

- Established track record of operations**

RPI, a Mumbai-based partnership firm was established in 1986 by Mr. Rajiv Seth and Mr. Sanjiv Seth. The promoters have more than 30 years of experience in the plastic industry.

- Moderate financial risk profile**

The moderate financial risk profile is marked by net worth of Rs. 7.89 crore in FY2016 as compared to Rs. 5.38 crore in FY2015. RPI's gearing improved to 0.91 times in FY2016. The unsecured loans of Rs. 2.17 crore are considered as quasi equity as it is subordinated to bank debt. The coverage indicator stands moderate with Interest coverage ratio of 2.12 times for FY 2016 as compared to 1.93 times in FY2015.

- Comfortable working capital management**

RPI has comfortable working capital management reflected in the gross current assets (GCA) of 86 days for FY2016 on account of efficient receivables and inventory days of 42 and 33 days respectively. The average cash credit limit utilisation stood at ~75 per cent for the last six months ended March, 2016.

- Reputed clientele**

RPI caters mainly to the petroleum industry and edible oil manufacturers. The firm has a reputed list of clients including Bosch India Limited, Hindustan Petroleum Corporation Limited, Cargill India Private Limited, Castrol India Limited to name a few.

Weaknesses

- **Moderate scale of operations**

The scale of operations is moderate with operating income of Rs. 47.69 crore for FY2016 as against Rs.47.19 crore in FY2015. However, as informed by the management, the firm reported operating income of Rs. 59.76 crore in FY2017 (Provisional) thereby registering increase of 19.59 per cent mainly due to orders from Castrol India Limited.

- **Declining margins**

RPI reported operating margins of 3.82 per cent in FY2016, a decline from 4.41 per cent in FY2015 due to intense competition. The firm reported PAT margins of 0.52 per cent in FY2016 as against 0.53 per cent in FY2015. SMERA believes that the firm will maintain its operating margins at ~3 to 4 per cent in FY2018 and FY2019.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm to arrive at the rating.

Outlook: Stable

SMERA believes that RPI will continue to maintain a stable outlook owing to its experienced management. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues and profit margins while maintaining efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

For FY2016, the firm reported profit after tax (PAT) of Rs. 0.25 crore on operating income of Rs. 47.69 crore as compared to PAT of Rs. 0.25 crore on operating income of Rs. 47.19 crore in the previous year. The net worth stood at Rs. 5.72 crore as on 31 March, 2016 as compared to Rs. 5.38 crore in the previous year.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|------------|------------------|-------------------|
| 18-Mar-2016 | Cash Credit | Long Term | INR 6.45 | SMERA BB / Stable |
| | Term Loan | Long Term | INR 1.17 | SMERA BB / Stable |
| | Bank Guarantee | Short Term | INR 0.85 | SMERA A4+ |
| | Proposed Term Loan | Long Term | INR 1.53 | SMERA BB / Stable |

***Annexure – Details of instruments rated**

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Crore) | Ratings/Outlook |
|------------------------------------|------------------|----------------|----------------|-------------------------------|--------------------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 8.15 (Enhanced from 6.45) | SMERA BB / Stable (Reaffirmed) |
| Term loans I | Not Applicable | Not Applicable | Not Applicable | 0.79 (Reduced from 1.17) | SMERA BB / Stable (Reaffirmed) |
| Bank guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 0.85 | SMERA A4+ (Reaffirmed) |
| Term Loan II | Not Applicable | Not Applicable | February 2022 | 2.00 | SMERA BB/Stable (Assigned) |

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ABOUT SMERA

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