

July 16, 2015

Facilities	Amount (Rs. Crore)	Ratings
Over Draft	20.00	SMERA BB/Stable (Assigned)
Bill Negotiation	5.00	SMERA BB/Stable (Assigned)
Bank Guarantee	10.0	SMERA A4+ (Assigned)

SMERA has assigned a long term rating of '**SMERA BB**' (read as **SMERA double B**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the above mentioned bank facilities of Raj Chem Plast (RCP). The outlook is '**Stable**'.

The rating derives comfort from the established track record of the promoters, strong relationship with the principal - GAIL and growth in interest income. The rating also factors in favourable demand outlook for polymers and chemicals in India. However, the rating is constrained by the firm's revenue and profitability is directly vulnerable to credit risk of its customers. The rating also takes into account the inflated interest expenses, high gearing and working capital intensive business.

Outlook: Stable

SMERA believes that the outlook of RCP will remain stable over the medium term on account of an experienced management and strong relationship with the principal. The outlook may be revised to 'Positive' if the firm is able to increase the scale of operations while maintaining a credit-risk-free customer profile and with effective working capital management. On the contrary, the outlook may be revised to 'Negative' in case of decline in the scale of operations or deteriorating capital structure or inflated cost of fund.

About the Firm

RCP established in 1995, is a Chennai-based proprietorship firm promoted by Mr. Raj Kumar Agarwal who has nearly three decades of experience in polymers and chemical trading. The firm is engaged as an authorized Del Credere Agent (DCA) for GAIL's polymers in Tamil Nadu and Pondicherry. The firm provides extended credit days to customers for interest income and as a consignment stockist, earns commission income for the principal.

For FY2013-14, the firm reported profit after tax (PAT) of Rs.0.35 crore on operating income of Rs.2.88 crore as against PAT of Rs.0.39 crore on total revenues of Rs.2.43 crore for FY2012-13. The firm's networth stood at Rs.7.80 crore against total debt of Rs.18.64 crore as on March, 31, 2014.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.



SMERA RATINGS LIMITED

Raj Chem Plast (RCP)

*Rating
Rationale*

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