

### Raj Chem Plast: Reaffirmed

Facilities	Amount (Rs Crore)	Ratings/Outlook
Overdraft	20.00	SMERA BB/Stable (Reaffirmed)
Bill Negotiation	5.00	SMERA BB/Stable (Reaffirmed)
Bank Guarantee	10.00	SMERA A4+ (Reaffirmed)

SMERA has reaffirmed the ratings of **'SMERA BB' (read as SMERA double B)** and **'SMERA A4+' (read as SMERA A four plus)** on the above mentioned bank facilities of Raj Chem Plast (RCP). The outlook is **'Stable'**.

The ratings continue to derive comfort from the established operational track record of the promoter in trading of polymers and strong relationship with GAIL as Del Credere Agent (DCA) in south India. However, the ratings are constrained by the below average financial risk profile, counterparty risk and risk arise from the sole proprietorship constitution of the firm.

### Update

RCP has track record of over two decades as DCA. Mr. Raj Kumar Agarwal, the proprietor has more than two decades of experience in the petroleum, plastic and chemicals businesses. RCP has strong relationship with GAIL as DCA for Tamil Nadu and Pondicherry.

As per FY2015-16 (Provisional), RCP booked revenue (interest and commission income) of Rs.3.41 crore as against Rs.2.64 crore in FY2014-15 on account of interest received from credit extension given to customers. The profit after tax (PAT) margins declined to 4.89 per cent in FY2015-16 (Provisional) from 6.09 per cent in FY2014-15.

RCP has below average financial risk profile. The net worth declined to Rs.7.90 crore as on March 31, 2016 (Provisional) as compared to Rs.9.15 crore as on March 31, 2015 on account of capital withdrawals. Further, the firm has also advanced funds to the extent of Rs.7.87 crore to group entity. The adjusted tangible networth (i.e. networth after knocking off Rs.7.87 crore) of the firm stands at 0.10 crore as on March 31, 2016 (Provisional). The interest coverage ratio (ICR) stands low at 1.06 times for FY2015-16 (Provisional) as against 1.07 times for FY2014-15.

RCP, a proprietorship concern is prone to withdrawal of capital and the same has been observed in the past.

### Rating Sensitivity Factors

- Movements in margins and cash accruals
- Receivable management
- Relationship with GAIL
- Exposure to group entities

## Outlook-Stable

SMERA believes that the outlook of RCP will remain stable over the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the firm is able to scale up operations while maintaining healthy customer profile and effective receivable management. On the contrary, the outlook may be revised to 'Negative' in case of decline in cash accruals or deterioration of capital structure.

## About the Firm

RCP, a proprietorship firm established in 1990 by Mr. Raj Kumar Agarwal is the authorised Del Credere Agent (DCA) for GAIL's polymers in Tamil Nadu and Pondicherry.

For FY2015-16 (Provisional), the firm registered profit after tax (PAT) of Rs.0.17 crore on operating income of Rs.3.41 crore as compared to PAT of Rs.0.16 crore on operating income of Rs.2.64 crore for FY2014-15.

## Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
16 July, 2015	Overdraft	20.00	SMERA BB (Assigned)	-	Stable
	Bill Negotiation	5.00	SMERA BB (Assigned)	-	Stable
	Bank Guarantee	10.00	-	SMERA A4+ (Assigned)	-

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## ABOUT SMERA

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