

Press Release

Raj Chem Plast

January 25, 2019

Rating Downgraded



Total Bank Facilities Rated*	Rs.35.00 Cr.
Long Term Rating	ACUITE D (Downgraded from ACUITE BB /Stable)
Short Term Rating	ACUITE D (Downgraded from ACUITE A4+)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded long-term rating to '**ACUITE D**' (read as **ACUITE D**) from **ACUITE BB** (read as **ACUITE double B**) and short term rating to '**ACUITE D**' (read as **ACUITE D**) from **ACUITE A4+** (read as **ACUITE A four plus**) to the Rs.35.00 crore bank facilities of Raj Chem Plast (RCP).

The downgrade of the rating reflects continuous overdrawals in its working capital limits for more than 90 days. The stretch is owing to delays in realisation from its customers.

RCP is a Tamil Nadu based proprietorship firm established in 1990 by Mr. Raj Kumar Agarwal. RCP is an authorised Del Credere Agent (DCA) for GAIL India Limited. The firm is mainly operating in Tamil Nadu.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of RCP to arrive at this rating.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

RCP has track record of over two decades as a Del Credere Agent (DCA). Mr. Agarwal, the proprietor has more than two decades of experience in the petroleum, plastic and chemical trading business. Healthy relation with GAIL and longstanding presence is expected to support in improvement of its business risk profile.

Weaknesses

- **Delays in servicing of debt obligations**

The rating reflects continuous overdrawals in its working capital limits for over 90 days; the account is classified as NPA by the Bank. The stretch in the liquidity is owing to delays in realisation from its customers.

- **Moderately working capital intensive operations**

The firm being a DCA cum Consignment Stock of GAIL is exposed to high counterparty credit risk as the risk (receivables) is transferred from GAIL to RCP resulting in high working capital requirements and full utilization of bank lines for the last six months through December 2018.

- **Weak financial risk profile**

Financial risk profile of the firm stood weak marked by high gearing (Debt-Equity), total outside liabilities to total net worth (TOL/TNW) and weak debt protection metrics. Gearing is high at 5.55 times as on 31 March, 2018 as against 2.25 times as on 31 March, 2017 this is mainly due to losses at net level and withdrawal of funds from the capital in FY2018. TOL/TNW stood high at 13.37 times as on 31 March, 2018 as against 3.15 times as on 31 March, 2017. Net worth stood at Rs.3.02 crore in FY2018 as against Rs.8.07 crore in FY2017. Of the total debt of Rs.16.76 crore, long term debt constitutes Rs.0.08 crore and short term borrowings of Rs.16.68 crore. Debt protection metrics of interest coverage ratio is weak at 0.27 times in FY2018 as against 1.18 times in FY2017. Acuité

believes that the ability of the firm to improve the financial risk profile by infusing capital into the firm would be the key sensitivity rating factor over the medium term.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	154.09	130.54	50.85
EBITDA	Rs. Cr.	0.62	0.90	3.88
PAT	Rs. Cr.	-2.32	0.62	0.48
EBITDA Margin	(%)	0.41	0.69	7.62
PAT Margin	(%)	-1.50	0.48	0.95
ROCE	(%)	3.49	16.06	30.91
Total Debt/Tangible Net Worth	Times	5.55	2.25	2.04
PBDIT/Interest	Times	0.27	1.18	1.15
Total Debt/PBDIT	Times	20.26	4.40	4.32
Gross Current Assets (Days)	Days	98	85	170

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

None

Any other information

Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
27-Nov-2017	Secured Overdraft	Long Term	20.00	ACUITE BB / Stable (Reaffirmed)
	Bills Discounting	Long Term	5.00	ACUITE BB / Stable (Reaffirmed)
	Bank Guarantee	Short Term	10.00	ACUITE A4+ (Reaffirmed)
19-Sep-2016	Secured Overdraft	Long Term	20.00	ACUITE BB / Stable (Reaffirmed)
	Bills Discounting	Long Term	5.00	ACUITE BB / Stable (Reaffirmed)
	Bank Guarantee	Short Term	10.00	ACUITE A4+ (Reaffirmed)
16-Jul-2015	Secured Overdraft	Long Term	20.00	ACUITE BB / Stable (Assigned)
	Bills Discounting	Long Term	5.00	ACUITE BB / Stable (Assigned)
	Bank Guarantee	Short Term	10.00	ACUITE A4+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE D (Downgraded)
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE D (Downgraded)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE D (Downgraded)

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About Acuité Ratings & Research:

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