

Shri Jagdamba Polymers Limited

January 14, 2022

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	39.45	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BBB+; Stable; (Triple B Plus; Outlook: Stable)
Long Term / Short Term Bank Facilities	38.82	CARE BB+; Stable/ CARE A4+; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable/ A Four Plus; ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BBB+; Stable/ CARE A2; (Triple B Plus; Outlook: Stable/ A Two)
Short Term Bank Facilities	17.25	CARE A4+; ISSUER NOT COOPERATING* (A Four Plus; ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE A2; (A Two)
Total Facilities	95.52 (Rupees Ninety-Five Crore and Fifty-Two Lakhs Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings had, vide its press release dated July 14, 2021 placed the ratings of Shri Jagdamba Polymers Limited (SJPL) under the 'issuer non-cooperating category' as SJPL did not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. Moreover, SJPL has not provided NDS since past 6 months. SJPL continues to be non-cooperative despite repeated requests. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The revision in the ratings of SJPL is pursuant to Securities and Exchange Board of India (SEBI)'s circular no. SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dated January 3, 2020, regarding 'Strengthening of the rating process in respect of Issuer Non-Cooperation (INC) ratings'. SEBI has in this circular mentioned that "If an issuer has all the outstanding ratings as non-cooperative for more than 6 months, then the CRA shall downgrade the rating assigned to the instrument of such issuer to non-investment grade with INC status."

Detailed description of the key rating drivers

At the time of the last rating on July 14, 2021, the following were the rating strengths and weaknesses [updated based on best available information i.e. financial results for quarter and half year ended September 30, 2021 published on stock exchange and banker interaction].

Key Rating Weaknesses

Modest scale of operations and high customer concentration risk: Despite growth in total operating income (TOI), the scale of operations of SJPL continued to remain modest marked by TOI of Rs.259 crore during FY21 and net worth base of Rs.133 crore as on March 31, 2021. Moreover, revenue concentration from top 5 customers continued to remain high at 61% of TOI during FY20 (FY19: 63%). Therefore, continuous relationship with existing customers remains crucial for credit perspective.

Saleability risk associated with recently commissioned expansion project: SJPL has expanded its capacity from 12,000 MTPA to 20,500 MTPA within envisaged cost of Rs.46 crore. SJPL started commercial production from phase-I in December 2020 while the phase-II was commissioned in Q3FY21. The expanded capacity should provide further opportunity to grow its scale of operation. SJPL's products have high export potential considering growing demand from agriculture and infrastructure sectors. SJPL has already established customers in overseas market which limits saleability risk to certain extent. However, early ramp up in production and sales volumes and generation of envisaged returns from the project remains crucial for credit perspective.

Profitability susceptible to raw material price volatility and foreign exchange rate fluctuation: SJPL's main raw material comprises plastic granules, which are crude derivatives. Hence, any sharp change in international crude oil prices and

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE publications

*Issuer did not cooperate; Based on best available information

foreign exchange rate impacts raw material pricing for the company. The company normally follows order backed purchase for raw materials thereby insulating profitability from raw material price fluctuation risk to an extent. Further, SJPL generates substantial part of its total income from export (82% of TOI during FY20) which exposes it to the risk associated with forex rates. However, the risk is mitigated partially on account of the natural hedge available in the form of import of raw material (~42% of the total cost of raw material in FY20). Moreover, company avails foreign currency borrowings against its exports which also provides natural hedge. Company also covers forex exposure through forward contracts depending upon the market scenario.

Competitive woven sacks industry and limited bargaining power with large supplier restricts the profitability:

The industry is fragmented in nature due to the low entry barriers on account of low initial capital investment and ease of accessibility to technology. This results in increase in competition especially in the domestic market. Moreover, there are limited suppliers of its key raw material (plastic granules) in the domestic market due to the oligopolistic nature of the supply market, which results in limited bargaining power for SJPL. However, in order to partially mitigate the concentration risk, the company also sources the raw material from international suppliers.

Key Rating Strengths

Experienced promoter: SJPL was promoted by Mr. Ramakant Bhojnagarwala, a first generation entrepreneur who has nearly five decades of experience in the textile and polymer industry. He monitors the overall operations of SJPL and plays an active role in managing its day-to-day operations. He is assisted by his son Mr. Hanskumar R. Agarwal, who is a graduate and has nearly two decades of experience in technical textile industry. The promoters are well supported by an experienced and qualified team of professionals. Moreover, promoters have also set-up another company; Shakti Polyweave Private Limited (SPPL) which is also engaged in similar line of operations. Both these companies operate under common management and have business linkages. While SJPL is publicly listed on the stock exchange, SPPL is an unlisted closely-held company.

Established and long track record of operations with diverse industry application of its products: SJPL started its operation in May 1985, with manufacturing of plastic woven fabrics and bags and has track record of more than three decades in technical textile industry. SJPL's product portfolio includes polypropylene (PP)/ Polyethylene (PE) woven bags, fabric, Siltfence, Flexible Intermediate Bulk Containers (FIBC), geo-textile, ground cover, etc. which find application in packaging (storage and transportation of powdered, granulated or bulk products), infrastructure (soil erosion control, earth stabilization and act against biological degradation) and agriculture industry (unwanted weed suppression, soil moisture preservation, erosion control, resistance against attack by bacteria and ground insect). Capacity utilisation of SJPL's installed capacity remained at 85-90% over past three years ended FY20.

Established relationship with customers: Majority of SJPL's production is exported to countries such as United Kingdom (UK), United States of America (USA), China and some other European and Asian countries. SJPL has been successful in establishing a stable customer base in these countries. Although, it does not have any long-term agreements in place with its customers, SJPL has been able to secure repeat orders from its customers due to conformity to quality standards and specifications which mitigate the client concentration risk to a certain extent.

Growth in total operating income along with healthy profitability and strong return ratio: TOI of SJPL grew by 23% during FY21 on y-o-y basis as demand of company's products was less impacted by Covid-19 due to varied applications across construction, infrastructure, and packing industries. Moreover, PBILDT margin improved by 478 bps on Y-o-Y basis and continued to remain healthy at 24.44% during FY21. PAT margin also improved in line with improvement in PBIDLT margin along with higher interest cost and depreciation charge. Furthermore, the return indicators of the company continue to remain strong marked by ROCE and RONW both remaining at 36% during FY21.

During H1FY22, TOI of the company grew by 65% over H1FY21. Moreover, PBILDT margin continued to remain healthy at 23.79% during H1FY22.

Comfortable capital structure with healthy debt coverage indicators: The total debt of SJPL increased from Rs.9.53 crore as on March 31, 2019 to Rs.37.22 crore (excluding LC backed creditors and current portion of long-term debt) as on March 31, 2021 mainly due to term debt availed for expansion project and higher working capital borrowings. However, capital structure of the company continues to remain comfortable marked by overall gearing ratio and TOL/ TNW of 0.32 times and 0.41 times respectively as on March 31, 2021. The debt coverage indicators marked by PBILDT interest coverage and total debt to GCA continue to remain comfortable at 23 times and 0.90 years respectively in FY21.

Liquidity: Adequate

SJPL's liquidity remains adequate marked by strong current ratio of 3.32 times as on March 31, 2021 and low working capital limit utilization of 14% during past 12 months ended December 2020. Operating cycle elongated over past two years ended FY21 due to increase in collection period and inventory holding and remained moderate at 96 days during FY21. Moreover, SJPL has relatively low term debt repayment obligation of Rs.6-7 crore per annum during next two years as against growing cash accruals which remained at Rs.48 crore during FY21 indicating adequate cushion in its debt servicing. Further, SJPL had cash and bank balance of Rs.14.04 crore as on March 31, 2021. SJPL's unutilized bank lines are more than adequate to meet its incremental working capital needs over the next one year.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

[CARE's methodology for manufacturing companies](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

About the company

Incorporated in May 1985, SJPL was promoted by Mr. Ramakant Bhojnagarwala and his family members. SJPL is engaged in manufacturing of PP/ PE woven fabric, bag and various technical textile products which find its application in packaging, agriculture and infrastructure industries. As on December 31, 2020, SJPL had installed capacity of 20,500 Metric Tons per annum (MTPA) of woven fabrics and bags from its three units situated at Dholka, Dist: Ahmedabad. Moreover, as on December 31, 2020, SJPL had windmill capacity of 3.6 MW.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	H1FY22 (UA)
Total operating income (TOI)	210.48	245.16	191.20
PBILD	41.39	61.79	45.48
PAT	27.33	40.91	30.84
Overall Gearing (times)	0.45	0.32 ^	NA
Interest coverage (times)	27.77	23.19	30.93

A: Audited; NA: Not available; ^ excluding LC backed creditors since the details are not available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Not Applicable

Complexity level of various instruments rated for this company: Please refer Annexure-3

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	March 2027	37.45	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	2.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Credit Exposure Limit	-	-	-	2.25	CARE A4+; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit	-	-	-	15.00	CARE A4+; ISSUER NOT COOPERATING*
Fund-based/Non-fund-based-LT/ST	-	-	-	38.82	CARE BB+; Stable/ CARE A4+; ISSUER NOT COOPERATING*

* Issuer not cooperating; based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	37.45	CARE BB+; Stable; ISSUER NOT COOPERATING*	1)CARE BBB+; Stable; ISSUER NOT COOPERATING* (14-Jul-21) 2)CARE BBB+; Positive (05-Apr-21)	-	1)CARE BBB+; Stable (25-Mar-20)	1)CARE BBB+; Stable (25-Feb-19)
2	Fund-based - LT-Cash Credit	LT	2.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	1)CARE BBB+; Stable; ISSUER NOT COOPERATING* (14-Jul-21) 2)CARE BBB+; Positive (05-Apr-21)	-	1)CARE BBB+; Stable (25-Mar-20)	1)CARE BBB+; Stable (25-Feb-19)
3	Non-fund-based - ST-Credit Exposure Limit	ST	2.25	CARE A4+; ISSUER NOT COOPERATING*	1)CARE A2; ISSUER NOT COOPERATING* (14-Jul-21) 2)CARE A2 (05-Apr-21)	-	1)CARE A2 (25-Mar-20)	1)CARE A2 (25-Feb-19)
4	Non-fund-based - ST-Letter of credit	ST	15.00	CARE A4+; ISSUER NOT COOPERATING*	1)CARE A2; ISSUER NOT COOPERATING* (14-Jul-21) 2)CARE A2 (05-Apr-21)	-	1)CARE A2 (25-Mar-20)	1)CARE A2 (25-Feb-19)
5	Fund-based/Non-fund-based-LT/ST	LT/ST	38.82	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	1)CARE BBB+; Stable / CARE A2; ISSUER NOT COOPERATING* (14-Jul-21) 2)CARE BBB+; Positive / CARE A2 (05-Apr-21)	-	1)CARE BBB+; Stable / CARE A2 (25-Mar-20)	1)CARE BBB+; Stable / CARE A2 (25-Feb-19)

* Issuer not cooperating; based on best available information

Annexure-3: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Fund-based/Non-fund-based-LT/ST	Simple
4.	Non-fund-based - ST-Credit Exposure Limit	Simple
5.	Non-fund-based - ST-Letter of credit	Simple

Annexure 4: Bank Lender Details for this company: Not Applicable

Note on complexity levels of the rated instrument: CARE Ratings Ltd has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings Limited:

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