

Shri Jagdamba Polymers Limited

April 11, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	39.45	CARE BB+; Stable; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	38.82	CARE BB+; Stable/ CARE A4+; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category
Short Term Bank Facilities	17.25	CARE A4+; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. 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 had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. Moreover, SJPL has not provided NDS since more than six months. SJPL continues to be non-cooperative despite repeated requests for submission of information through e-mails dated November 30, 2022, December 10, 2022 and December 20, 2022. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'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).

Analytical approach: Standalone

At the time of last rating on January 14, 2022, the following were the rating strengths and weaknesses (updated based on best available information i.e. financial results for the year ended March 31, 2022 and nine months ended December 31, 2022 published on stock exchange and banker interaction):

Key weaknesses

Modest scale of operations and high customer concentration risk: The scale of operations of SJPL marked by total operating income (TOI) continued to remain modest at Rs.376 crore during FY22 and net worth base of Rs.184 crore as on March 31, 2022. Moreover, revenue concentration from top 5 customers continued to remain high at 61% of TOI during FY20 (FY19: 63%). Therefore, continued relationship with existing customers remains crucial for credit perspective.

Further, TOI of the company de-grew by 8% in 9MFY23 over 9MFY22 on the back of slowdown in export demand especially from USA followed by inflationary scenario. Further, with the rise in commodity prices and freight rates, the operating profitability marked by PBILDT margin also declined to 14.98% in 9MFY23 as against 22.37% in 9MFY22.

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 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,

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

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.

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.

Key strengths

Experienced promoter: SJPL was promoted by Mr. Ramakant Bhojnarwala, 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 56% during FY22 on y-o-y basis supported by demand of company's products due to varied applications across construction, infrastructure, and packing industries. Moreover, PBILDT margin and PAT margin continued to remain healthy during FY22 at 19.66% (FY21: 24.44%) and 13.62% (FY21: 16.69%) respectively. Furthermore, the return indicators of the company continued to remain strong marked by ROCE and RONW both remaining over 30% during FY22.

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.38.84 crore (excluding LC backed creditors and current portion of long-term debt) as on March 31, 2022 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 0.21 times and 0.29 times respectively as on March 31, 2022. The debt coverage indicators marked by PBILDT interest coverage and total debt to GCA continue to remain comfortable at 19.31 times and 0.65 years respectively in FY22.

Applicable criteria

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

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry Classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Textiles	Textiles & Apparels	Other Textile Products

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 (₹ crore)	FY21 (A)	FY22 (A)	9MFY23 (UA)
Total operating income	245.16	375.63	269.87
PBILDT	61.79	73.85	40.44
PAT	40.91	51.16	24.14
Overall gearing (times) ^	0.32	0.21	NA
Interest coverage (times)	23.19	19.31	17.28

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

Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	2.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	-	31-03-2027	37.45	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based/Non-fund-based-LT/ST	-	-	-	-	38.82	CARE BB+; Stable / CARE A4+; 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*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument /Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	37.45	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (14-Jan-22) 2)CARE BBB+; Stable; ISSUER NOT COOPERATING* (14-Jul-21) 3)CARE BBB+; Positive (05-Apr-21)	-
2	Fund-based - LT-Cash Credit	LT	2.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (14-Jan-22) 2)CARE BBB+; Stable; ISSUER NOT COOPERATING* (14-Jul-21) 3)CARE BBB+; Positive (05-Apr-21)	-
3	Non-fund-based - ST-Credit Exposure Limit	ST	2.25	CARE A4+; ISSUER NOT COOPERATING*	-	-	1)CARE A4+; ISSUER NOT COOPERATING* (14-Jan-22) 2)CARE A2; ISSUER NOT COOPERATING* (14-Jul-21) 3)CARE A2 (05-Apr-21)	-
4	Non-fund-based - ST-Letter of credit	ST	15.00	CARE A4+; ISSUER NOT COOPERATING*	-	-	1)CARE A4+; ISSUER NOT COOPERATING* (14-Jan-22) 2)CARE A2; ISSUER NOT COOPERATING* (14-Jul-21) 3)CARE A2 (05-Apr-21)	-
5	Fund-based/Non-fund-based-LT/ST	LT/ST*	38.82	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	-	-	1)CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* (14-Jan-22) 2)CARE BBB+; Stable / CARE A2; ISSUER NOT COOPERATING* (14-Jul-21) 3)CARE BBB+; Positive/ CARE A2 (05-Apr-21)	-

*Issuer did not cooperate; based on best available information.

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the 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-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings 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.

Contact us

<p>Media Contact</p> <p>Name: Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Name: Deepak Purshottambhai Prajapati Senior Director CARE Ratings Limited Phone: +91-79-4026 5656 E-mail: deepak.prajapati@careedge.in</p>	<p>Analytical Contacts</p> <p>Name: Hardik Shah Director CARE Ratings Limited Phone: +91-79-4026 5620 E-mail: hardik.shah@careedge.in</p> <p>Name: Krunal Pankajkumar Modi Associate Director CARE Ratings Limited Phone: +91-79-4026 5614 E-mail: krunal.modi@careedge.in</p> <p>Name: Akshay Morbiya Lead Analyst CARE Ratings Limited E-mail: akshay.morbiya@careedge.in</p>
---	---

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,
please visit www.careedge.in**