

Shri Jagdamba Polymers Limited

December 28, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	24.46	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	20.00	CARE A3+ (A Three Plus)	Reaffirmed
Long term/Short term Bank Facilities	22.00	CARE BBB; Stable / CARE A3+ (Triple B; Outlook: Stable/ A Three Plus)	Reaffirmed
Total	66.46 (Rupees Sixty Six Crore and Forty Six Lakh only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Shri Jagdamba Polymers Limited (SJPL) continue to derive strength from its experienced promoters, SJPL's long standing track record of operation in woven fabric manufacturing and established relationship with its overseas customers. The ratings also take into account its financial risk profile marked by consistent growth in total operating income, improving profitability and debt coverage indicators and continued moderate leverage. The ratings, however, continue to be constrained by its modest scale of operations, susceptibility of its profitability to volatile raw material prices and foreign exchange rates and its presence in the highly fragmented and competitive woven fabric industry which restricts its profitability margin.

The ability of SJPL to further improve its scale of operation while maintaining its profitability in the light of volatile raw material prices and effective management of its working capital would be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoter: SJPL is promoted by Mr. Ramakant Bhojnagarwalla, a first generation entrepreneur and 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 growth of the company. He is assisted by his son Mr. Hanskumar R. Agarwal, who is a graduate and has nearly two decades of experience in the woven fabrics, bags and geo-textile business. The promoters have also promoted the other company; Shakti Polyweave Private Limited (SPPL) which is also engaged in similar line of operations. Both these companies operate under the common management and have business linkages.

Established track record of operations with diverse industry application: SJPL started its operation in May 1985, with manufacturing of plastic woven fabrics and bags and has more than 3 decades of operational track record in the woven fabrics and bags industry. SJPL's product portfolio includes polypropylene (PP)/ Polyethylene (PE) woven bags, fabric, Siltfence, Flexible Intermediate Bulk Containers (FIBC) and geo-textile products. "Siltfence" is a woven fabric used in construction industry in US and Europe. Geo-textile products find its applications in soil, rock, earth, ground covers etc to strengthen the soil.

Established relationship with customers: SJPL's majority of the production is exported to countries such as United Kingdom (UK), United States of America (USA) and other European 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 risk to a certain extent.

Consistent growth in total income and improving profitability and debt coverage indicators: The total operating income which grew at compounded annual growth rate of over 18% during FY15-FY17; grew nearly 20% during FY17 over FY16 on the back of growth in production and sales volume. The PBILDT margin too improved during FY17 over FY16 due to saving in raw material cost. With growth in total operating income and improvement in profitability, the debt coverage

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

indicators i.e. interest coverage and total debt to GCA too have improved over past three years ended FY7 and remained comfortable.

Key Rating Weaknesses

Modest scale of operation and moderate leverage: Despite consistent increase in total operating income, the scale of operation of the company remained modest marked by total operating income of Rs.147 crore during FY17 and networth base of Rs.27 crore as on March 31, 2017. Moreover, there were unsecured loans from promoters of Rs.11.90 crore of which Rs.8 crore were subordinated to bank loans and hence considered as quasi capital till FY16. However, the promoters have withdrawn the unsecured loans of Rs.6.25 crore during FY17. Hence, from FY17 onwards the unsecured loans have been considered as debt. The leverage of the company continues to remained moderate with an overall gearing ratio of 1.05 times as on March 31, 2017 as against 1.06 times as on March 31, 2016.

Susceptibility of profits to volatility associated with raw material prices and forex rates: SJPL's main raw material comprises plastic granules, which are crude derivatives. Hence, any change in international crude oil prices and exchange rate impacts raw material pricing for the company. The company follows order backed purchases of raw materials thereby insulating profitability from raw materials price fluctuations risk to an extent.

Further, SJPL generates substantial part of its total income (77% of total operating income during FY17) 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 imports of raw material (~ 37% of the total cost of raw material in FY17) and utilization of foreign currency denominated working capital facilities against its export orders.

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 barrier on account of low initial capital investment and ease of accessibility to technology. This results in increase in the competition especially in the domestic market. 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 a limited bargaining power of SJPL. However, in order to partially mitigate the concentration risk, the company also sources the raw material from international suppliers.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[Criteria for Short Term Instruments](#)
[CARE's Methodology for Factoring Linkages in Ratings](#)
[CARE's methodology for manufacturing Companies](#)
[Financial ratios – Non-Financial Sector](#)

About the Company

Incorporated in May 1985, SJPL is promoted by Mr. Ramakant Bhojnagarwalla and his family members. SJPL is engaged in manufacturing of PP/ PE woven sacks & fabric, geo-textile products and various technical textile products which find its application in construction, infrastructure and packing industry. SJPL has its plant situated at Dholka, Ahmedabad having an installed capacity for woven fabrics and bags of 13,200 Metric Tons per annum (MTPA) as on March 31, 2017. Moreover, As on March 31, 2017, SJPL has windmill capacity of 3.6 Mega Watt (MW). SJPL is also planning to install solar power plant with capacity of 3 MW at the total cost of Rs.13.50 crore, which is expected to be funded through the term loan of Rs.10.12 crore and rest through internal accruals. The installation is expected to be completed by March 2018.

Brief Financials (Rs. crore)	FY16 (Audited)	FY17 (Audited)
Total operating income	122.18	147.35
PBILDT	14.50	18.40
PAT	5.02	5.71
Overall gearing (times)	1.06	1.05
PBILDT Interest coverage (times)	4.55	5.89

During H1FY18, as per un-audited results, SJPL reported a net profit of Rs.6.22 crore on total operating income of Rs.86.79 crore as against Rs.3.63 crore and Rs.81.19 crore during H1FY17 respectively.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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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, 2021	22.46	CARE BBB; Stable
Fund-based - LT-Cash Credit	-	-	-	2.00	CARE BBB; Stable
Non-fund-based - ST-Letter of credit	-	-	-	10.00	CARE A3+
Fund-based - ST-EPC/PSC	-	-	-	10.00	CARE A3+
Fund-based/Non-fund-based-LT/ST	-	-	-	22.00	CARE BBB; Stable / CARE A3+

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	22.46	CARE BBB; Stable	-	1)CARE BBB; Stable (15-Dec-16)	1)CARE BBB- (11-Sep-15)	1)CARE BBB- (02-Jul-14) 2)CARE BBB- (25-Jun-14)
2.	Fund-based - LT-Cash Credit	LT	2.00	CARE BBB; Stable	-	1)CARE BBB; Stable (15-Dec-16)	1)CARE BBB- (11-Sep-15)	1)CARE BBB- (02-Jul-14) 2)CARE BBB- (25-Jun-14)
3.	Non-fund-based - ST-Letter of credit	ST	10.00	CARE A3+	-	1)CARE A3+ (15-Dec-16)	1)CARE A3 (11-Sep-15)	1)CARE A3 (02-Jul-14) 2)CARE A3 (25-Jun-14)
4.	Non-fund-based - ST-Bank Guarantees	ST	-	-	-	1)Withdrawn (15-Dec-16)	1)CARE A3 (11-Sep-15)	1)CARE A3 (02-Jul-14) 2)CARE A3 (25-Jun-14)
5.	Fund-based - ST-EPC/PSC	ST	10.00	CARE A3+	-	1)CARE A3+ (15-Dec-16)	1)CARE A3 (11-Sep-15)	1)CARE A3 (02-Jul-14)
6.	Fund-based - ST-Bills discounting/ Bills purchasing	ST	-	-	-	1)Withdrawn (15-Dec-16)	1)CARE A3 (11-Sep-15)	1)CARE A3 (02-Jul-14)
7.	Fund-based/Non-fund-based-LT/ST	LT/ST	22.00	CARE BBB; Stable / CARE A3+	-	1)CARE BBB; Stable / CARE A3+ (15-Dec-16)	-	-

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