Rating Rationale

Brickwork Ratings assigns 'BWR BBB -' & 'BWR A3' for the Bank Loan Facilities aggregating ₹ 22.00 Cr of S.G. Polyplast Pvt. Ltd.

Brickwork Ratings (BWR) has assigned the following **Ratings**[1] for the Bank Loan Facilities of S.G. Polyplast Pvt. Ltd ('SGPL' or 'the Company'):

Facility	Limits (₹ Cr)	Tenure	Rating[1]
Fund Based **Cash Credit**	**7.00**	**Long Term**	**BWR BBB -** **(Pronounced BWR Triple B Minus)** **(Outlook: Stable)**
Non Fund Based **LC (Import/Inland)**	**15.00**	**Short Term**	**BWR A3** **(Pronounced BWR A Three)**
Buyer's Credit (within LC limit)	**(15.00)**		
Total	**22.00**		**(INR Twenty Two Crores Only)**

BWR has principally relied upon the audited financial statements up to FY16, projections up to FY18, publicly available information and information/clarifications provided by the company's management.

The ratings assigned derive comfort from the extensive industry experience of the promoters and support from the group (Jindal Agro Group, Delhi) in view of commonality of management and significant business synergies, significant improvement in topline in FY16, infusion of interest-free unsecured loans by promoters in the current financial year and satisfactory banker's feedback coupled with more than 100% collateral coverage for the limits availed from SBM. The ratings are, however, constrained by the relatively moderate scale of operations, low profitability inherent to the trading business, significant dependence on import of raw materials, exposure to risks arising from the volatility in the commodity prices and regulatory changes, presence in a highly competitive and fragmented industry.

Background:

S.G. Polyplast Pvt. Ltd. (SGPL) was incorporated in April 2009, based out in Delhi. The company is engaged in import of all varieties of pulses from the countries like Singapore, China, Canada, Australia, New Zealand and Russia. It sells its product mostly in the domestic market through a network of wholesale dealers and brokers. It is engaged only in trading activity and sells products in bulk quantity under the brand name of "ROLEX". The company is promoted by Mr. Dalip Jindal (s/o Lt. Lala Faqir Chand Gupta), who has over 3 decades of experience in this field. The promoter also owns warehouses with capacities aggregating 2.50 lacs M.T. and resort with the name of "Blue Sapphire" at Delhi NCR.

[1] ***Please refer to www.brickworkratings.com for definition of the Ratings***

SGPPL is a part of Jindal Agro Group comprising of the three other companies – Jindal Ago International, Jindal Green Crop Int. Pvt Ltd & Faqir Chand Dalip Kumar. For FY16, Jindal Agro Group reported a turnover of Rs. 2221 Cr and a net worth of Rs. 66.13 Crs.

Management Profile:

Mr. Dalip Jindal is the youngest son of Late Sh. Faqir Chand Gupta (promoter of Jindal Agro Group) who has over 30 years of experience in the agro industry. His wife, Mrs. Shaloo Jindal actively looks after the operations of the unit and has over 15 years of experience in the industry. Both have equal shareholding in the company.

Financial Performance:

SGPL's top line has increased significantly by 82% from Rs. 160.13 Crs in FY15 to Rs. 291.94 Crs in FY16, owing to greater demand from the domestic market.

SGPL has reported a tangible net worth of Rs. 17.16 Cr in FY16. As per the C.A. certificate dated 08.09.2016, the promoters also infused additional funds as an interest-free unsecured loans of Rs. 6 Crs to ease liquidity position in the current year.

Rating Outlook

Due to the trading nature of business, SGPL reported net margins of less than 1% over the past three years. However, it is also venturing into the business of rice exports where it expects better margins from the current financial year.

The rating outlook is expected to be stable over the current year. Going forward the Company's ability to maintain its top line growth, improve its profitability amidst volatility in the commodity prices, and ensure continued funding support from promoters and the group companies shall be the key rating sensitivities.

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