Press Release

BDJ Oxides Private Limited (BOPL)

September 28, 2018

Rating Upgrade

Total Bank Facilities Rated*	Rs. 14.00 Cr.
Long Term Rating	ACUITE BBB-/Stable
Short Term Rating	ACUITE A3

** Refer Annexure for details*

Rating Rationale

Acuité has upgraded the long-term rating to **'ACUITE BBB-' (read as ACUITE triple B minus)** from long-term rating of **'ACUITE B+' (read as ACUITE B plus)** and short term rating to **'ACUITE A3' (read as ACUITE A three)** form **'ACUITE A4' (read as ACUITE A four)** on the Rs. 14.00 crore bank facilities of BDJ Oxides Private Limited. The outlook is **'Stable'**.

Acuité has consolidated the business and financial risk profiles of BDJ Oxides Private Limited with JG Chemicals Private Limited herein referred to as BDJ Group. The consolidation is in view of common management, similar line of business and significant financial linkages.

BDJ Oxides Private Limited was established in the year 2011 and started operation from 2017 as a private limited company by Mr. Aniruddh Jhunjhunwala and Mr. Anuj Jhunjhunwala. It is involved in manufacturing of zinc oxide with an installed capacity of 9600 MTPA. The manufacturing location is in Andhra Pradesh.

JG Chemicals Private Limited (JGC) was incorporated in 1975 and was promoted by the Jhunjunwala family of Kolkata. The operations are managed by Mr Suresh Jhunjunwala and his son Mr Anirudh Jhunjunwala. JGC manufactures zinc oxide with an installed capacity of 12600 MTPA, which is used in automobile tyres, tubes, beltings and glassware, ceramics, lubricants, paints, and pharmaceuticals industries. The manufacturing units are located in Belur and Howrah in West Bengal.

The upgrade reflects improvement in group's business risk profile coupled with improvement in profitability margins during FY2018 (Prov.).The revenue of the group has increased to Rs. 344.52 crore in FY'2018 (provisional) from Rs 250.62 crore in FY'2017. Moreover, the operating profitability (EBITDA) margins improved to 13.73 percent as on 31st March, 2018 (provisional) from 8.76 percent in the previous year. The profitability improved on account of decrease in raw material costs. The upgrade also reflects BDJ group's comfortable financial risk profile marked by healthy networth, comfortable gearing and healthy debt protection metrics.

Key Rating Drivers

Strengths

Experienced management and long track record of operation:

The promoters of the BDJ Group have a business experience spanning more than five decades, and have experience in various industries like glass, glassware, and chemicals. The directors, Mr. Anirudh Jhunjhunwala and Mr. Anuj Jhunjhunwala started two zinc oxide manufacturing units at Howrah, West Bengal under J.G Chemicals Pvt Ltd. In the year 2011, they started a second company i.e. BDJ Oxides Private Limited with same line of operation of manufacturing of zinc oxides. The association has helped the company in steady revenues at a compound annual growth rate (CAGR) of about 38.06 percent over two years through FY2018.

Healthy financial risk profile:

The healthy financial risk profile of the BDJ group is marked by healthy networth, comfortable gearing and healthy debt protection metrics. The net worth of the company stood healthy at Rs.56.61 crore in FY2018 (Prov.) as compared to Rs.30.54 crore in FY2017, mainly on account of increase of accruals to Rs.27.81 crore in FY2018 (Prov.) compared to Rs.10.87 crore in the previous year. The gearing of the company stood comfortable at 0.89 times in FY2018 (Prov.) as compared to 2.01 times in FY2017 backed by increase in Networth of the group. The total debt of Rs.50.53 crore consists of long term debt of Rs.2.88 crore, unsecured loan from promoters of Rs.19.21 crore and short term debt of Rs.27.43 crore. The interest coverage ratio (ICR) of the company stood comfortable at 7.39 times in FY2018 (Prov.) as compared to 3.73 times in FY2017. The debt service coverage ratio (DSCR) of the company stood comfortable at 3.81 times in FY2018 (Prov.) as compared to 2.16 times in FY2017. The net cash accruals against the total debt stand comfortable at 0.55 times in FY2018 (Prov.) compared to 0.18 times in FY2017.

Healthy profitability:

The operating margin of the group has increased and stands high at 13.73 per cent in FY2018 (Prov.) as compared to 8.76 per cent in the previous year. This is improved mainly on account of decreasein raw material price. The net profitability of the company stands comfortable at 7.57 per cent in FY2018 (Prov.) as compared to 3.66 per cent in previous year.

Weaknesses

Working capital intensive nature of operation:

The working capital intensive nature of operations is marked by high gross current asset (GCA) days of 116 days in FY2018 (Prov.) as compared to 125 days in FY2017. These high GCA days are mainly due to the moderate inventory days of 51 days in FY 2018 (Prov.) as compared to 55 days in the previous year. The debtor days also stands moderate at 49 days in FY2018 (Prov.) as compared to 52 days in the previous year. This high GCA is also due to high other current assets of Rs.13.78 crore in FY2018 (Prov).

Susceptibility of margins of fluctuation in raw material prices

The chemical industry is highly cyclical. Moreover the overall level of demand and prices for zinc metal has seen a fluctuating trend since last few years. BDJ group sales and its margins remain susceptible to fluctuations in raw material prices.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of BDJ Oxides Private Limited with JG Chemicals Private Limited herein referred to as BDJ Group. The consolidation is in view of common management, similar line of business and significant financial linkages.

Outlook: Stable

Acuite believes that BDJ group will benefit over the medium term from the promoters vast experience in the chemical industry. The outlook may be revised to 'Positive' if BDJ group achieves more than envisaged sales and profitability while achieving an improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve expected growth in revenue and if its financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY18 (Prov.)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	344.52	250.62	180.76
EBITDA	Rs. Cr.	47.31	21.95	11.53
PAT	Rs. Cr.	26.08	9.17	4.95
EBITDA Margin	(%)	13.73	8.76	6.38
PAT Margin	(%)	7.57	3.66	2.74
ROCE	(%)	45.96	27.02	37.42
Total Debt/Tangible Net Worth	Times	0.89	2.01	1.63
PBDIT/Interest	Times	7.39	3.73	3.27
Total Debt/PBDIT	Times	1.06	2.78	3.16
Gross Current Assets (Days)	Days	116	125	100

Status of non-cooperation with previous CRA (if applicable)
None

Any other information
None

Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Financial Ratios And Adjustments - https://www.acuite.in/criteria-fin-ratios.htm
- Manufacturing Entities – https://www.acuite.in/view-rating-criteria-4.htm
- Consolidation of Companies - https://www.acuite.in/view-rating-criteria-22.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
25-Apr-2018	Cash Credit	Long Term	INR 9.00	ACUITE B+/ Stable (Indicative)
	Term Loan	Long Term	INR 4.50	ACUITE B+/ Stable (Indicative)
	Bank Guarantee	Short Term	INR 0.50	ACUITE A4 (Indicative)
04-Apr-2017	Cash Credit	Long Term	INR 9.00	ACUITE B+/ Stable (Assigned)
	Term Loan	Long Term	INR 4.50	ACUITE B+/ Stable (Assigned)
	Bank Guarantee	Short Term	INR 0.50	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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE BBB-/Stable (Upgrade)
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE BBB-/Stable (Upgrade)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A3 (Upgrade)

Contacts

Analytical	Rating Desk
Pooja Ghosh Head – Corporate and Infrastructure Sector Ratings Tel: 033-6620 1203 pooja.ghosh@acuite.in Abhishek Dey Analyst - Rating Operations Tel: 033-66201208 abhishek.dey@acuiteratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@Acuité .in

About ACUITE

Disclaimer: *An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.*