

Press Release

BDJ Oxides Private Limited

June 12, 2020

Rating Reaffirmed & Assigned



Total Bank Facilities Rated*	Rs. 42.50 Cr.
Long Term Rating	ACUITE BBB-/Stable (Reaffirmed & Assigned)
Short Term Rating	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

Erratum: In the original PR dated 24th December, 2019, there was an error in the Key Financial Indicator table, which has been rectified in this version.

Rating Rationale

Acuite has reaffirmed and assigned the long term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and reaffirmed short term rating of '**ACUITE A3**' (read as **ACUITE A three**) to the Rs.42.50 crore of bank facilities of BDJ Oxides Private Limited. The outlook is '**Stable**'.

BDJ Oxides Private Limited was established in the year 2011 and started operation from 2017 as a private limited company by Mr. Aniruddh Jhunjunwala and Mr. Anuj Jhunjunwala. It is involved in manufacturing of zinc oxide with an installed capacity of 26232 MTPA, which is used in automobile tyres, tubes, beltings and glassware, ceramics, lubricants, paints, and pharmaceuticals industries. 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.

Analytical Approach:

Acuite 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, significant shareholding of JGC in BDJ Oxides, similar line of business and financial linkages in the form of corporate guarantees.

Key Rating Drivers:

Strengths

Experienced management

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 Jhunjunwala and Mr. Anuj Jhunjunwala started two zinc oxide manufacturing units at Howrah, West Bengal under J.G Chemicals Pvt Ltd. In the year 2011, they started their second entity i.e. BDJ Oxides Private Limited with same line of operation of manufacturing of zinc oxides. The long standing association has helped the group in steady revenues at a compound annual growth rate (CAGR) of about 30.19 percent over two years through FY2019.

Healthy financial risk profile

The comfortable financial risk profile of the group is marked by healthy net worth, comfortable gearing and healthy debt protection metrics. The net worth of the group stands healthy at Rs.77.30 crore in FY2019 as compared to Rs.56.85 crore in FY2018. This improvement in Networth is mainly due to retention of current year profit. The gearing of the group stands comfortable at 0.98 times as on March 31, 2019 when compared

to 0.90 times as on March 31, 2018. The total debt of Rs.75.65 crore in FY2019 consists of short term loan of Rs.67.28 crore, unsecured loan from promoters of Rs.3.06 crore and long term debt of Rs.5.33 crore. Interest coverage ratio (ICR) is comfortable and stands at 5.47 times in FY2019 as against 6.16 times in FY 2018. The debt service coverage ratio also stands comfortable at 1.93 times in FY2019 as against of 3.27 times in FY2018. The net cash accruals against total debt (NCA/TD) stand comfortable at 0.29 times in FY2019 as compared to 0.50 times in previous year. Acuite believes the financial risk profile of the group will remain healthy on account of no major capex over the medium term.

Healthy scale of operation

The scale of operation of the group stood healthy at 429.34 crore in FY2019 as compared to Rs.341.33 crore in the previous year. The group has booked Rs. 196.87 crore till 31st Aug 2019 (Prov.). Sustainability of the group's growth in scale of operation over the medium term would remain a key monitorable.

Weaknesses

Working capital intensive nature of operation

The working capital intensive nature of operations is marked by high gross current asset (GCA) days of 119 days in FY2019 as compared to 116 days in FY2018. The inventory days are moderate at 67 days in FY2019 as compared to 51 days in FY2018. The debtor days also stands moderate at 42 days in FY2019 and 57 days in FY2018 respectively. The GCA days stands high mainly on account of high other current assets of Rs.16.74 crore in FY2019 mainly consist of statutory deposit, advance for raw material, other receivables among others.

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 trends since last few years. BDJ group sales and its margins remain susceptible to fluctuations in raw material prices.

Rating Sensitivity

- Scaling up of operations while maintaining profitability margin.
- Working capital management

Material Covenant

None

Liquidity Position: Strong

The group has strong liquidity marked by healthy net cash accruals of Rs.22.11 crore as against Rs.1.01 crore of yearly debt obligation. The cash accruals of the group are estimated to remain in the range of around Rs. 27.91 crore to Rs. 35.52 crore during 2020-22 against Rs.1.50 crore repayment obligations during the period. The working capital of the group is moderate marked by gross current asset days of 119 in FY2019. The bank limit is 60 per cent utilized by the group and the group maintains unencumbered cash and bank balances of Rs. 0.71 crore as on March 31, 2019. The current ratio of the group stood at 1.83 times as on March 31, 2019. Acuite believes that the liquidity of the group is likely to remain healthy over the medium term on account of healthy cash accruals against no major debt repayments over the medium term.

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 - Consolidated

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	429.34	341.33
PAT	Rs. Cr.	20.45	23.68
PAT Margin	(%)	4.76	6.94
Total Debt/Tangible Net Worth	Times	0.98	0.90

PBDIT/Interest	Times	5.47	6.16
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About the Rated Entity - Standalone

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	172.80	92.19
PAT	Rs. Cr.	6.87	8.74
PAT Margin	(%)	3.98	9.48
Total Debt/Tangible Net Worth	Times	2.70	2.24
PBDIT/Interest	Times	3.65	7.29

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.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
28-Sep-2018	Cash Credit	Long Term	9.00	ACUITE BBB-/Stable (Upgraded)
	Term Loan	Long Term	4.50	ACUITE BBB-/Stable (Upgraded)
	Bank Guarantee	Short Term	0.50	ACUITE A3 (Upgraded)
25-Apr-2018	Cash Credit	Long Term	9.00	ACUITE B+ (Indicative)
	Term Loan	Long Term	4.50	ACUITE B+ (Indicative)
	Bank Guarantee	Short Term	0.50	ACUITE A4 (Indicative)
04-Apr-2017	Cash Credit	Long Term	9.00	ACUITE B+/Stable (Assigned)
	Term Loan	Long Term	4.50	ACUITE B+/Stable (Assigned)
	Bank Guarantee	Short Term	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	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE BBB-/Stable (Reaffirmed)

Term Loan I	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BBB-/Stable (Reaffirmed)
Term Loan II	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE BBB-/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB-/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A3 (Reaffirmed)

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About Acuité Ratings & Research:

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