

## Press Release

BDJ Oxides Private Limited

June 15, 2022

### Rating Assigned and Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	0.50	-	ACUITE A2   Upgraded
Bank Loan Ratings	20.00	ACUITE BBB+   Stable   Assigned	-
Bank Loan Ratings	42.00	ACUITE BBB+   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	62.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BBB+**' (read as ACUITE triple B plus) from 'ACUITE BBB' (read as ACUITE triple B) and short-term rating to '**ACUITE A2**' (read as ACUITE A two) from 'ACUITE A3+' (read as ACUITE A three plus) on the Rs.42.50 crore bank facilities of BDJ Oxides Private Limited.

Acuite has also assigned the long-term rating of '**ACUITE BBB+**' (read as ACUITE triple B plus) on the Rs.20.00 crore bank facilities of BDJ Oxides Private Limited. The outlook is '**Stable**'.

The rating upgrade factors in the overall improvement in business risk profile of the group marked by continuous improvement in operating income while maintaining the profitability margin at a healthy level. Besides, the company continues to sustain its strong financial risk profile and a superior liquidity position. The revenue of the group has increased to Rs.632.04 crore in FY2022 (Prov.) as compared to Rs.447.33 crore in FY2021. Further, this increase in revenue of the group is on account of increase in average realization per unit backed by increase in demand for zinc oxides during FY2022. The operating profitability margin has also improved to 10.56 per cent in FY2022 (Prov.) as compared to 10.51 per cent in the previous year. The strong financial risk profile of the group is marked by healthy networth, low gearing and strong debt protection metrics in FY2022 (Prov.) over FY2021. The strong liquidity of the group is marked by healthy net cash accruals and moderate utilization of working capital facility for the last six months ended April 2022.

### About the Company

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 engaged 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 facility of the company is located in Andhra Pradesh.

## About the Group

JG Chemicals Private Limited (JGC) was incorporated in 1975 and was promoted by the Jhunjhunwala family of Kolkata. The operations are managed by Mr. Suresh Jhunjhunwala and his son Mr. Anirudh Jhunjhunwala. 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 at Howrah in West Bengal.

## 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, significant shareholding of JGC in BDJ Oxides, similar line of business and financial linkages in the form of corporate guarantees. Extent of consolidation: Full

## Key Rating Drivers

### Strengths

#### **Long track record of operation and experienced management-**

The promoters of the group belong to the Jhunjhunwala group better known as BDJ Group, they have a business record of over 85 years, and have experience in various industries like glass, glassware, chemicals. The directors Mr Anirudh Jhunjhunwala and Mr Anuj Jhunjhunwala are already running two zinc oxide manufacturing units at Howrah, West Bengal under M/s J.G Chemicals Pvt Ltd, of which the first unit was established in the year 1975 and the second unit was added 9 years ago. In the year 2011 they have started another unit i.e. BDJ Oxides Private Limited with same line of operation of manufacturing of zinc oxides. The group has a long presence in this sector and has established a healthy relationship with customers for more than a decade.

#### **Healthy scale of operation coupled with stable profitability margin**

The revenue of the group stood healthy at Rs.632.04 crore in FY2022 (Prov.) as compared to Rs.447.33 crore in the previous year. The revenue of the group has increased significantly on account of overall improvement of the demand for zinc oxides from tyre and pharmaceuticals industry. Further, the revenue of the group has improved due to increase in average realisation per unit during FY2022 over FY2021. Acuité believes that the group would sustain in the growth trajectory due to the ongoing demand in the market and well established presence in the eastern part of the country.

The operating profitability margin of the group stood healthy at 10.56 per cent in FY2022 (Prov.) as compared to 10.51 per cent in the previous year. This slight improvement in the operating profitability margin is on account of decrease in raw material price during the period. Further, the operating profitability margin of the group has improved significantly during FY 2021 to 10.51 per cent from 5.93 per cent in the previous year. This significant increase in the operating profitability was due to the decrease in raw material price coupled with decrease in certain overhead expenses. Going forward, Acuité believes that the operating profitability margins of the group will remain healthy on account of steady demand for zinc oxides.

#### **Locational advantages**

The unit of BDJ Oxides Pvt Ltd has been set up in Attivaram region of Andhra Pradesh. South India is an auto ancillary hub. The company is enjoying locational advantage and also catering to the regular demand from different tyre companies. Also other two units of JG Chemicals Pvt Ltd have been set up in Howrah, West Bengal, which basically caters to the tyre manufacturer units in western part of the country. Apart from this, the group has also catering to the different pharmaceutical industry, ceramic industry, glass industry among others.

### **Strong financial risk profile-**

The financial risk profile of the group is marked by healthy net worth, low gearing and strong debt protection metrics. The net worth of the group stood healthy at Rs.156.29 crore in FY 2022 (Prov.) as compared to Rs 119.52 crore in FY2021. This improvement in networth is mainly due to the retention of profit during FY2022. The gearing of the group stood at 0.60 times as on March 31, 2022 (Prov.) when compared to 0.68 times as on March 31, 2021. This further improvement in gearing is mainly on account of improvement in networth and repayment of long term debt coupled with moderate utilization of working capital facility during FY2022 (Prov.). Interest coverage ratio (ICR) is strong and stood at 8.59 times in FY2022 (Prov.) as against 7.58 times in FY2021. The debt service coverage ratio (DSCR) of the group also stood strong at 5.15 times in FY2022 (Prov.) as compared to 4.53 times in the previous year. The net cash accruals to total debt (NCA/TD) stood comfortable at 0.47 times in FY2022 (Prov.) as compared to 0.37 times in the previous year. Going forward, Acuité believes the financial risk profile of the group will remain strong on account of steady net cash accruals and no major debt funded capex plan over the near term.

### **Weaknesses**

#### **Working capital management**

The working capital intensive nature of operation of the group is marked by high gross current asset (GCA) days of 127 days in FY2022 (Prov.) as compared to 148 days in the previous year. The inventory holding period of the group stood moderate at 47 days in FY2022 (Prov.) as compared to 44 days in the previous year. The debtor days of the group stood moderate at 56 days in FY2022 (Prov.) as compared to 73 days in the previous year. The high GCA days of the group has also emanates from the high other current asset of Rs.31.90 crore in FY2020, which mainly consists of advances for goods and services, statutory deposits, advance tax paid and among others. Moreover, the group has utilized ~73 per cent of its working capital facility for the last six months ended April 2022. Acuité believes that the ability of the company to manage its working capital operations efficiently will remain a key rating sensitivity.

#### **Susceptibility of margins to fluctuations in raw material prices**

The metal industry is highly cyclical, which further leads to fluctuation in the major raw material i.e. zinc scrap. Moreover the overall level of demand and prices for zinc scrap has seen a fluctuating trend since last few years. BDJ group sales and its margins remain susceptible to fluctuations in raw material prices.

### **Rating Sensitivities**

- Scaling up of operations while improving their profitability margin
- Sustenance of their conservative capital structure
- Working capital management

### **Material covenants**

No

### **Liquidity Position**

#### **Strong**

The group has strong liquidity position marked by healthy net cash accruals of Rs.44.49 crore as against Rs.2.39 term debt obligations in FY2022 (Prov.). The cash accruals of the group are estimated to remain in the range of around Rs. 54.72 crore to Rs. 61.29 crore during 2023-24 as against of Rs.2.69 crore long term debt obligations during the period. The current ratio of the group stood healthy at 2.17 times in FY2022 (Prov.). The Gross Current Asset (GCA) days of the group stood moderate at 127 days in FY2022 (Prov.). The bank limit of the group has been ~73 percent utilized during the last six months ended in April 2022. Acuité believes that the liquidity of the group is likely to remain strong over the medium term on account of healthy cash accruals against the long debt repayments over the medium term.

## Outlook: Stable

Acuité believes the group will maintain a stable business risk profile over the medium term. The group will continue to benefit from its experienced management and established association with customers and suppliers, along with healthy financial risk profile. The outlook may be revised to "Positive" in case the company registers a significant increase in the scale of operations while improving their profit margins and achieving efficient working capital management. The outlook may be revised to 'Negative' in case of deterioration in the group's scale of operations and profitability or capital structure or in case of further elongation of the working capital cycle.

## Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	632.04	447.33
PAT	Rs. Cr.	41.81	27.42
PAT Margin	(%)	6.61	6.13
Total Debt/Tangible Net Worth	Times	0.60	0.68
PBDIT/Interest	Times	8.59	7.58

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

Not Applicable

## Any other information

NA

## Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>

## Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
17 Mar 2021	Cash Credit	Long Term	9.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Cash Credit	Long Term	25.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	5.50	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	2.50	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Bank Guarantee	Short Term	0.50	ACUITE A3+ (Upgraded from ACUITE A3)
12 Jun 2020	Bank Guarantee	Short Term	0.50	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	2.50	ACUITE BBB-   Stable (Reaffirmed)

	Term Loan	Long Term	5.50	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	9.00	ACUITE BBB-   Stable (Reaffirmed)
24 Dec 2019	Term Loan	Long Term	2.50	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	9.00	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	5.50	ACUITE BBB-   Stable (Assigned)
	Bank Guarantee	Short Term	0.50	ACUITE A3 (Reaffirmed)
28 Sep 2018	Cash Credit	Long Term	9.00	ACUITE BBB-   Stable (Upgraded from ACUITE B+)
	Term Loan	Long Term	4.50	ACUITE BBB-   Stable (Upgraded from ACUITE B+)
	Bank Guarantee	Short Term	0.50	ACUITE A3 (Upgraded from ACUITE A4)
25 Apr 2018	Cash Credit	Long Term	9.00	ACUITE B+ (Issuer not co-operating*)
	Term Loan	Long Term	4.50	ACUITE B+ (Issuer not co-operating*)
	Bank Guarantee	Short Term	0.50	ACUITE A4 (Issuer not co-operating*)
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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A2   Upgraded
CITI Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB+   Stable   Upgraded
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE BBB+   Stable   Upgraded
CITI Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB+   Stable   Assigned
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	3.69	ACUITE BBB+   Stable   Upgraded
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	0.52	ACUITE BBB+   Stable   Upgraded
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	3.79	ACUITE BBB+   Stable   Upgraded



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### About Acuité Ratings & Research

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