

Press Release

BDJ Oxides Private Limited

December 13, 2022



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	62.00	ACUITE BBB+ Reaffirmed & Withdrawn	-
Bank Loan Ratings	0.50	-	ACUITE A2 Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	62.50	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and short-term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the Rs.62.50 crore bank facilities of BDJ Oxides Private Limited.

The rating has been withdrawn on Acuite's policy of withdrawal of ratings.

The rating has been withdrawn on account of the request received from the company, and the NOC received from the banker.

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 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 at 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.

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

None

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 ~66 percent utilized during the last six months ended in September 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

Not Applicable

Other Factors affecting Rating

None

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)

None

Any other information

None

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
15 Jun 2022	Bank Guarantee	Short Term	0.50	ACUITE A2 (Upgraded from ACUITE A3+)
	Cash Credit	Long Term	9.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Term Loan	Long Term	0.52	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Cash Credit	Long Term	25.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Cash Credit	Long Term	20.00	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	3.79	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Term Loan	Long Term	3.69	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
17 Mar 2021	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)
	Cash Credit	Long Term	9.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Bank Guarantee	Short Term	0.50	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE BBB- Stable (Assigned)

12 Jun 2020	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	5.50	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	0.50	ACUITE A3 (Reaffirmed)
	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)

Annexure - Details of instruments rated

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

Contacts

Analytical	Rating Desk
Pooja Ghosh Vice President-Rating Operations Tel: 022-49294041 pooja.ghosh@acuite.in Abhishek Dey Senior Analyst-Rating Operations Tel: 022-49294065 abhishek.dey@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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