

## Press Release

### Jalnidhi Bitumen Specialities Private Limited

December 27, 2022



## Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	36.35	ACUITE BBB-   Stable   Assigned	-
Bank Loan Ratings	28.89	-	ACUITE A3   Assigned
Total Outstanding Quantum (Rs. Cr)	65.24	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has assigned the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 65.24 Cr bank facilities of Jalnidhi Bitumen Specialities Private Limited (JBSPL). The outlook is '**Stable**'.

### Rationale for the rating

The rating takes into account the long track record of operations of the company, above average financial risk profile characterized by improved gearing and comfortable debt protection metrics. The rating also draws comfort from extensive experience of promoter in manufacturing of diversified bitumen-based products and alliance with various overseas companies for procurement of raw material. The adequate liquidity position of the company, which is reflected in comfortable current ratio and moderate level of accruals, also provides reassurance to the rating. However, these strengths are partially offset by working capital intensive nature of operations and susceptibility of operating margin to volatile input prices.

### About the Company

Incorporated in 1994, Jalnidhi Bitumen Specialities Private Limited (JBSPL) is a Kolkata based company, engaged in the manufacturing of bitumen based products such as cationic bitumen emulsion, Polymer Modified Bitumen (PMB), blown bitumen, Crumb Rubber Modified Bitumen (CRMB) and other bituminous products. The products are mostly used in the construction of highways, roads, bridges, flyovers, airport runways, tunnels and dams. Further, the company also has a service division to undertake job works for waterproofing assignments and others. JBSPL sells its products under the brand name 'Hind' and 'Jai-Hind' and 'Hi-Fix'. It has its manufacturing unit located in Haldia, West Bengal and Haryana. The company is currently headed by the promoter director Mr. Sanjay Kumar Dalmia and Mrs. Smriti Dalmia. The company have strategic alliance with a US based company for their polymer "Elvaloy" for blending of bitumen. The company also manufactures Highly Modified Asphalt (HIMA) in association with a US based company.

### Analytical Approach

Acuite has considered the standalone business and financial risk profile of JBSPL to arrive at

the rating.

## Key Rating Drivers

### Strengths

- **Long operational track record and experienced management**

JBSP has been engaged in the manufacturing of bitumen emulsion and other bitumen allied products for over three decades. Further, the key promoter of the group Mr. Sanjay Kr Dalmia has an experience of more than two and a half decades. The long standing experience of the promoter and long track record of operations has helped them to establish comfortable relationship with reputed customers and suppliers. Acuite believes that the long operational track record of JBSP and rich experience of the promoter will benefit the company going forward, resulting in steady growth in the scale of operations.

- **Steady growth in operating income and diversified product portfolio**

The operating income of the company increased significantly to Rs.235.83 Cr in FY2022 as compared to Rs.174.97 Cr in the previous year due to increase in product average realization and enhanced volume sales of Bitumen VG 40 by 119 per cent. Further, the company has reported a revenue of Rs.140 Cr till October 31, 2022 (Prov). Moreover, the company is engaged in manufacturing and trading of various types of bituminous products like Cationic bitumen emulsion, polymer modified bitumen, crumb rubber modified bitumen, plastic felt, APP membrane and other allied products. Additionally, the company also has a service division to undertake job works for water proofing assignments and others. Acuite believes that the company will be able to sustain its revenue backed by healthy business model and diversified product profile.

- **Above average financial risk profile**

The company's above average financial risk profile is marked by modest networth base, moderate gearing and healthy debt protection metrics. The tangible net worth of the company increased to Rs.38.18 Cr as on 31st March 2022 from Rs.34.55 Cr in the previous year due to accretion of profits. The gearing of the company improved to 1.06 times as on March 31, 2022 as compared to 1.16 times as on March 31, 2021 due to repayment of term loans. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.46 times as on March 31, 2022 as compared to 1.64 times in the previous year. The healthy debt protection metrics of the company is marked by Interest Coverage Ratio of 2.81 times and Debt Service Coverage Ratio of 1.66 times as on March 31, 2022 as compared to 2.23 times and 1.80 times respectively in the previous year. The consistently increasing raw material price, reduced margin has led to lower net cash accruals, which further led to marginal moderation in the debt service coverage ratio of the company. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.13 times as on 31st March 2022 as against 0.10 times in the previous year. Acuite believes that going forward the financial risk profile of the company will be sustained backed by steady accruals and no major debt funded capex plans.

### Weaknesses

- **Thin profitability margins**

The EBITDA margin has moderated to 4.13 per cent in FY2022 as compared to 4.48 per cent in FY2021 due to high material cost. Bitumen, being the major raw material and a by-product of crude oil, has shown significant uptick in the prices (around 90 per cent) due to the impact of Russia-Ukraine war. The company procures bitumen from Indian Oil Corporation Limited (IOCL) and other local importers. Though the company has a price escalation clause, it was passed on with a lag. The margin remains susceptible to volatile nature of raw material prices. However, the PAT margin stood at 1.76 per cent in FY2022 as against 1.62 per cent in the previous year. The ROCE stood at 12.55 per cent in FY2022 as against 11.34 per cent in the

previous year. The company has now made arrangements to import bitumen directly since December 2022, which shall enhance the margins going forward. The impact of this direct import of bitumen on the operating margin will remain a key monitorable.

- **▣ Moderate working capital management**

The moderate working capital management of the company is marked by high albeit improving Gross Current Assets (GCA) of 127 days in FY2022 as compared to 171 days in FY2021. This improvement in GCA days is marked by better debtor and inventory management in FY2022. The debtor period improved to 73 days in FY2022 as compared to 108 days in FY2021. The debtor days are generally high as the company's customers are mainly EPC contractors. Further, the inventory level stood comfortable at 26 days in FY2022 as against 32 days in FY2021. Acuité believes that the working capital operations of the company will remain almost at the same levels as evident from efficient collection mechanism and comfortable inventory levels over the medium term.

### **Rating Sensitivities**

- ▣ Elongation of working capital cycle
- ▣ Improvement in operating profitability while sustaining the growth in scale of operations

### **Material covenants**

None.

### **Liquidity Position**

#### **Adequate**

The company's liquidity position is adequate marked by net cash accruals of Rs.5.26 Cr as against long term debt repayment of only Rs.1.65 Cr over the same period. Even though overall profits and cash accruals from the business stood at a moderate level in FY2022, yet they are sufficient to meet the scheduled debt obligations. Further, the current ratio stood comfortable at 1.69 times as on March 31, 2022. However, the fund-based limit remained utilized at 94 per cent for six months ended October'22. The cash and bank balance stood at Rs.11.47 Cr as on March 31, 2022 out of which Rs.9.28 Cr is retained in debit balance in cash credit account. Moreover, the moderate working capital management of the company is marked by GCA days of 127 days as on March 31, 2022 as against 171 days in the previous year. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals

### **Outlook: Stable**

Acuité believes that the outlook on JBSPL will remain 'Stable' over the medium term on account of the long track record of operations, experienced management, healthy business risk profile, above average financial risk profile and moderate working capital management. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position or elongation in its working capital cycle.

### **Other Factors affecting Rating**

None.

### **Key Financials**

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	235.83	174.97
PAT	Rs. Cr.	4.16	2.83
PAT Margin	(%)	1.76	1.62
Total Debt/Tangible Net Worth	Times	1.06	1.16
PBDIT/Interest	Times	2.81	2.23

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

BRICKWORK, vide its press release dated October 19, 2022 had denoted the rating of Jainidhi Bitumen Specialities Private Limited as 'BWR BBB-/Stable/A3; ISSUER NOT COOPERATING'.

**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>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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](http://www.acuite.in).

**Rating History:**

Not Applicable

**Annexure - Details of instruments rated**

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	1.35	ACUITE A3   Assigned
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE A3   Assigned
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	21.70	ACUITE BBB-   Stable   Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.15	ACUITE BBB-   Stable   Assigned
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	9.50	ACUITE BBB-   Stable   Assigned
ICICI Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.54	ACUITE A3   Assigned
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	18.00	ACUITE A3   Assigned

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### About Acuité Ratings & Research

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