



Press Release
Jalnidhi Bitumen Specialities Private Limited
February 09, 2024

Rating Assigned and Upgraded

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|---|---------------------|--------------------------------|-----------------------|
| Bank Loan Ratings | 7.00 | ACUITE BBB Stable Assigned | - |
| Bank Loan Ratings | 36.35 | ACUITE BBB Stable Upgraded | - |
| Bank Loan Ratings | 28.89 | - | ACUITE A3+ Upgraded |
| Total Outstanding Quantum (Rs. Cr) | 72.24 | - | - |

Rating Rationale

Acuite has upgraded the long term rating to '**ACUITE BBB**' (read as **ACUITE t riple B**) from '**ACUITE BBB-**' (read as **ACUITE t riple B minus**) and short term rating to '**ACUITE A3+**' (read as **ACUITE A three plus**) from '**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**'.

Acuite has assigned the long term rating of '**ACUITE BBB**' (read as **ACUITE t riple B**) on the Rs. 7.00 Cr. bank facilities of Jalnidhi Bitumen Specialities Private Limited (JBSPL). The outlook is '**Stable**'.

Rationale for the rating

The rating takes into cognizance the steady business risk profile of the company majorly driven by increase in revenues. The company has increased revenues of Rs. 301.76 Cr in FY2023 as compared to revenues of Rs. 241.10 Cr in FY2022, thereby registering an y-o-y growth of around 26 per cent. Further, the company has achieved revenue of Rs. 309.96 Cr as on December 2023 (Provisional). The improvement in revenues is majorly on account of increase in volume sales as well as increase in average realization during the period. The operating margins are also expected to improve due to better logistic efficiency due to tank availability at refinery site and reduced supplier concentration risk. Acuite believes that the operating margins are expected to improve slightly and will remain a key monitorable.

The rating also factors in the above average financial risk profile with comfortable capital structure and debt protection metrices. The liquidity position of the company is adequate, which is reflected in sufficient net cash accruals, minimal debt repayments and absence of debt funded capex plans. The rating also draws comfort from the established operations augmented by experienced management of the company.

However, these strengths are partially offset by susceptibility of operating margin to volatile input price.

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.

Unsupported Rating

Not Applicable

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**

With over three decades of involvement in the production of bitumen emulsion and related products, JBSPL has established a significant presence in the industry. Mr. Sanjay Kr Dalmia, a key promoter with over two and a half decades of experience, leads the company. The company is additionally bolstered by a proficient team overseeing its daily operations. Acuite believes that JBSPL's extensive operational history, coupled with the promoters' knowledge and expertise, will contribute to the company's sustained growth and expansion in operations.

- **Steady scale of operations with diversified product mix**

The company has a diversified product mix including cationic bitumen emulsion, polymer modified bitumen, crumb rubber modified bitumen, plastic felt, APP membrane and other allied products. The company has increased revenues of Rs. 301.76 Cr in FY2023 as compared to revenues of Rs. 241.10 Cr in FY2022, thereby registering an y-o-y growth of around 26 per cent. The improvement in revenues is majorly on account of increase in volume sales as well as increase in average realization during the period in different geographies. The company has achieved revenue of Rs. 309.96 Cr as on December 2023 (Provisional). Also, the Company enters into tie ups in various geographies to increase its footprints pan India.

Acuite believes that the diversified product range of the company will help to maintain its business risk profile over the medium term.

- **Above Average financial risk profile**

The financial risk profile of the company is above average marked by moderate net worth, modest gearing and comfortable debt protection metrics. The tangible net worth of the company stood at Rs.43.40 Cr as on March 31, 2023 as compared to Rs.38.18 Cr.as on March 31, 2022. This improvement in network is mainly due to the retention of current year profits in reserves. The gearing of the company stood modest at 1.12 times as on March 31, 2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.67 times as on March 31, 2023. The debt protection metrics of the company stood comfortable marked by Interest coverage ratio (ICR) of 2.79 times and debt service coverage ratio (DSCR) of 1.70 times for FY2023. The net cash accruals to total debt (NCA/TD) stood at 0.13 times in FY2023.

Going forward, Acuite believes the financial risk profile of the company will remain above average on account of steady net cash accruals owing to stable profitability margins with no major debt funded capex plan over the near term.

Weaknesses

- **Volatility in profitability margins**

The operating margin of the company declined marginally to 3.49 per cent in FY2023 as compared to 4.04 per cent in FY2022. To address logistic efficiency, the company had applied and had been allocated a 5000 tonnes tanker at Haldia by IOCL. The same was applied for in August 2022 but was handed over to the Company only in the month of March 2023. For these 8 months, JBSPL had low absorption of fixed costs and thus it resulted in margin decline. Further, company has taken another tank of 2500 tonnes at Haldia Port from IOCL expected to be allocated in February 2024. It has also started direct importing from Dubai.

Going forward, margin is expected to improve due to logistic benefits expected from dilution of supplier concentration risk and availability of tanks for storage at refinery to reduce the cost of raw material sourcing and procuring. As on December 2023, the operating margin is 4.16% (Provisional).

The PAT margins stood at 1.73 per cent in FY2023 as against 1.72 per cent in FY 2022. The ROCE levels stood at a comfortable level of about 13.14 per cent in FY2023 as against 12.54 per cent in FY2022.

Going forward, Acuité believes that the margin of the company is expected to improve backed by in-built pricing mechanism that provides cushion for covering the increased input cost. This helps the company from any large variation in the raw material prices, thus protecting the operating margins to a certain extent.

- **Moderate working capital management**

The working capital operations of the company is moderate marked by high gross current asset (GCA) days of 128 days for FY2023 as compared to 124 days for FY2022. The GCA days are moderate primarily on account of receivable days and inventory holding. The debtor days of the company stood at 65 days in FY2023 as against 71 days in FY 2022. Further, the inventory days stood at 49 days in FY2023 as compared to 25 days in FY2022; this was due to risk of availability of raw materials during that time due to geo-political issue; they had to procure raw materials from local market towards year end. Against this, the company has substantial dependence on its suppliers to support the working capital; creditors stood at 30 days as on March 31, 2023.

Acuité believes that the working capital operations of the company will remain at the similar levels over the medium term.

Rating Sensitivities

- Sustainability of revenue along with improvement in profitability margins
- Sustenance of capital structure
- Working capital cycle

Liquidity Position Adequate

The company has adequate liquidity marked by net cash accruals of Rs. 6.35 Cr. as on March 31, 2023 as against 1.92 long term debt obligations over the same period. The cash and bank balance stood at Rs. 4.21 Cr for FY 2023. The current ratio of the company stood comfortable at 1.64 times in FY2023. However, the bank limit of the company has been ~82.96 percent utilized for the last six months ended in December 2023. Further, working capital operations of the company is moderate marked by high gross current asset (GCA) days of 128 days for FY2023 as compared to 124 days for FY2022. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accruals against small debt repayments and absence of any major debt funded capex plans and financial flexibility of promoters to infuse funds timely over the medium term.

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 23 (Actual) | FY 22 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 301.76 | 241.10 |
| PAT | Rs. Cr. | 5.22 | 4.15 |
| PAT Margin | (%) | 1.73 | 1.72 |
| Total Debt/Tangible Net Worth | Times | 1.12 | 1.06 |
| PBDIT/Interest | Times | 2.79 | 2.80 |

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

Not Applicable

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.

Rating History

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|-------------|--------------------------------|------------|-----------------|---------------------------------|
| 27 Dec 2022 | Letter of Credit | Short Term | 18.00 | ACUITE A3 (Assigned) |
| | Cash Credit | Long Term | 5.15 | ACUITE BBB- Stable (Assigned) |
| | Bank Guarantee | Short Term | 6.00 | ACUITE A3 (Assigned) |
| | Letter of Credit | Short Term | 3.54 | ACUITE A3 (Assigned) |
| | Bank Guarantee | Short Term | 1.35 | ACUITE A3 (Assigned) |
| | Cash Credit | Long Term | 9.50 | ACUITE BBB- Stable (Assigned) |
| | Cash Credit | Long Term | 21.70 | 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 |
|---------------------|----------------------|----------------------------------|----------------------|----------------------|----------------------|------------------|-------------------|--------------------------------|
| State Bank of India | Not avl. / Not appl. | Bank Guarantee (BLR) | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 1.35 | ACUITE A3+ Upgraded |
| HDFC Bank Ltd | Not avl. / Not appl. | Bank Guarantee (BLR) | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 6.00 | ACUITE A3+ Upgraded |
| ICICI Bank Ltd | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 21.70 | ACUITE BBB Stable Upgraded |
| State Bank of India | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 5.15 | ACUITE BBB Stable Upgraded |
| HDFC Bank Ltd | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 9.50 | ACUITE BBB Stable Upgraded |
| ICICI Bank Ltd | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 5.00 | ACUITE BBB Stable Assigned |
| ICICI Bank Ltd | Not avl. / Not appl. | Letter of Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 3.54 | ACUITE A3+ Upgraded |
| HDFC Bank Ltd | Not avl. / Not appl. | Letter of Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 18.00 | ACUITE A3+ Upgraded |
| Not Applicable | Not avl. / Not appl. | Proposed Long Term Bank Facility | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 2.00 | ACUITE BBB Stable Assigned |

Contacts

| Analytical | Rating Desk |
|---|--|
| Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Dipti Choudhary Analyst-Rating Operations Tel: 022-49294065 dipti.choudhary@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.

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. Ratings assigned by Acuité 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. Ratings assigned by Acuité 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. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.