



Sector: Chemicals

Issue Opens - March 5, 2024 to March 7, 2024

Price Band
₹210 to ₹221

Face Value
₹10

Lot Size
67 Shares

Issue Size
₹251.19 Cr

Issue Type
Book Built

research@ganeshstock.com

Important Events



Issue Size

11,366,063 shares/ ₹251.19 Cr

Fresh Issue

7,466,063 shares / ₹165.00 Cr)

Offer for Sale

3,900,000 shares of ₹10 / ₹86.19 Cr

Basis of Allotment

Monday, March 11, 2024

Initiation of Refunds

Tuesday, March 12, 2024

Credit of Shares to Demat

Tuesday, March 12, 2024

JG Chemicals Listing Date

Wednesday, March 13, 2024

Promoters

- **Suresh Jhunjunwala (Executive Chairman and Wholetime Director)**
- **Anirudh Jhunjunwala (Managing Director and Chief Executive Officer)**
- **Anuj Jhunjunwala (Whole-time Director and Chief Financial Officer)**
- **Ashok Bhandari (Independent Director)**

Promoters collectively hold 100.00% (Pre Issue) of the Equity Share.

About The Company.



JG Chemicals stands as India's largest zinc oxide manufacturer, leading in both production and revenue with the dominant French process. Capturing a substantial 30% market share, they supply a diverse array of industries with more than 80 grades of zinc oxide. Established in 2001, they have evolved into a global entity, serving over 200 domestic and 50 international clients across 10+ countries. Among their esteemed clientele are 9 of the top 10 global tire manufacturers and all of India's top 11 tire companies. Notably, their subsidiary, BDJ Oxides, holds the distinction of being India's sole IATF-certified zinc oxide facility, earning the preference of major tire manufacturers

Description of Their Business

As India's foremost zinc oxide manufacturer, they lead in both production and revenue, particularly in zinc oxide manufacturing through the French process, which is widely adopted by major producers across the Americas, Europe, and Asia.

With over four decades of manufacturing experience, they leverage their expertise to serve a diverse clientele. They have forged enduring relationships across various end-user industries, including tires, ceramics, rubber, paints, cosmetics, and batteries. Over the past three years alone, they have successfully marketed and sold their products to over 200 domestic customers and more than 50 global customers across 10 countries.

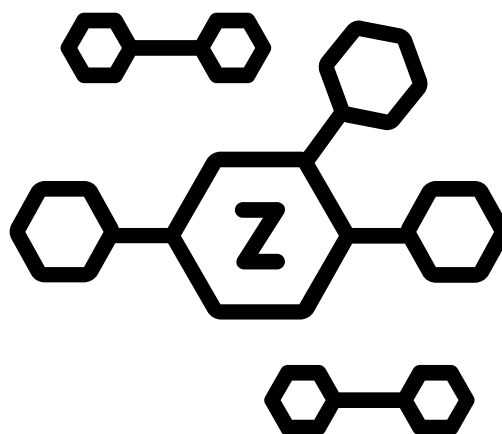


The table below, demonstrates the percentage of their sales to the various end-use industries they cater to:

(as a % of our revenue from operations)

Industry	Six months period ended September 30, 2022	Fiscal 2022	Fiscal 2021	Fiscal 2020
Rubber and tyres	89.66	90.10	89.20	89.90
Pharmaceuticals & chemicals	6.94	6.37	7.48	6.14
Agriculture	1.18	2.06	1.79	1.53
Others*	2.22	1.47	1.53	2.43
Total	100.00	100.00	100.00	100.00

**includes ceramics, paints & coatings, electronics & batteries, lubricants, oil & gas and animal feed end-user industries.*



Objects of The Offer

The company proposes to utilise the Net Proceeds towards funding the following objects:

1. Investment in our Material Subsidiary for
2. Repayment/ pre-payment of borrowings,
3. Funding working capital requirements for setting up of an R&D center in Andhra Pradesh,
4. Funding its long-term working capital requirements
5. Funding long-term working capital requirements of JG Chemicals Ltd
6. Balance General Corporate Purposes

Track Record Of Financial Performance

Statement of Profit and Loss

(in ₹ lakhs, except percentages and ratios)

Particulars	Nine months period ended December 31, 2023	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2021
I. Revenue from operations	4,863.22	7,845.76	6,128.30	4,352.98
II. Other income	47.77	96.12	102.17	51.07
III. Total income (I+II)	4,910.99	7,941.88	6,230.47	4,404.05
IV. Expenses				
Cost of material consumed	4,083.77	6369.01	5,062.84	3,454.48
Purchase of Stock-in-Trade	-	-	4.97	5.19
Changes in inventories of Finished Goods, Stock-in-Trade and Work-in-Progress	(31.36)	(28.35)	(109.34)	30.50
Employee benefits expense	121.62	148.10	133.11	102.99
Finance costs	30.04	49.83	62.51	50.70
Depreciation and amortization Expense	31.81	34.40	26.80	23.38
Other expenses	407.53	601.95	475.11	324.83
Total expenses (IV)	4,643.42	7,174.95	5,656.01	3,992.06
V. Profit/(Loss) before tax (III-IV)	267.57	766.94	574.46	411.99
Less: Exceptional Item	18.02			
VI. Tax expense:				
(i) Current tax	65.66	192.84	145.05	105.12
(ii) Deferred tax	(1.37)	5.89	(1.79)	1.93
(iii) Income tax adjustment for earlier years	0.16	0.28	(0.05)	16.94
VII. Restated Profit/(Loss) for the period (V-VI)	185.10	567.93	431.26	287.99

In continuation...

VIII. Other comprehensive income				
(i) Items that will not be reclassified to profit or loss				
a. Remeasurement of defined benefit Plan	(0.45)	1.30	1.12	1.26
b. Equity Instrument through other comprehensive income	9.69			
(ii) Income tax relating to items that will not be reclassified to profit or loss	2.11	0.33	0.28	0.32
IX. Restated total comprehensive income / (loss) for the period (VII+VIII) (Comprising Profit (Loss) and Other Comprehensive Income for the period)	192.24	568.90	432.09	288.93
X. Net Profit attributable to:				
Owners of the parent	177.71	549.93	400.05	234.38
Non-controlling interests	7.39	18.49	31.21	53.61
XI. Other Comprehensive Income/(Loss) attributable to:				
Owners of the parent	7.14	0.94	0.78	0.89
Non-controlling interests	0.00	0.03	0.05	0.06
XII. Restated total Comprehensive Income/(Loss) attributable to:				
Owners of the parent	184.85	550.38	400.83	235.27
Non-controlling interests	7.39	18.52	31.27	53.66
XIII. Earnings per equity share				
Basic and Diluted (in ₹)	*5.60	17.32	12.61	7.39

*Not annualised

Key financial metrics

(in ₹ million except percentages and ratios)

Key Financial Performance	Nine months period ended December 31, 2023	Fiscal 2023	Fiscal 2022	Fiscal 2021
Revenue from operations ⁽¹⁾	4,863.22	7,845.76	6,128.30	4,352.98
Total Income ⁽²⁾	4,910.99	7,941.88	6,230.47	4,404.05
EBITDA ⁽³⁾	329.42	851.17	663.78	486.07
EBITDA Margin (%) ⁽⁴⁾	6.77 %	10.85%	10.83%	11.17%
PAT	185.10	567.93	431.26	287.99
PAT Margin (%) ⁽⁵⁾	3.81%	7.24%	7.04%	6.62%
Operating Cash Flows	671.13	311.66	67.52	(73.46)
Net Worth ⁽⁶⁾	2,178.56	1,998.86	1,476.58	1,084.77
Net Debt ⁽⁷⁾	(709.07)	(421.51)	(39.59)	(136.22)
Debt Equity Ratio ⁽⁸⁾	0.11	0.34	0.62	0.69
ROCE (%) ⁽⁹⁾	11.86%	29.38%	25.83%	25.27%
ROE (%) ⁽¹⁰⁾	8.20%	30.50%	30.64%	24.23%



Strengths



- The company holds a leading position in the market, supported by a diverse customer base.
- Key end-use industries face significant barriers to entry, contributing to the company's competitive advantage.
- The company consistently demonstrates strong financial performance over time.
- Strong and enduring relationships with both customers and suppliers, coupled with a robust supply chain, underpin the company's operations.
- The management team boasts extensive experience and a commitment to excellence.
- The company emphasizes long-term sustainability through environmental initiatives and adherence to safety standards.

Threats

- Heavy reliance on foreign suppliers without formal agreements poses a significant risk, as any increase in raw material costs or shortages could adversely affect business operations.
- Obtaining and maintaining various licenses and approvals is essential for the company's operations. Failure to secure or renew these licenses promptly could disrupt business operations.
- The company's reliance solely on purchase orders without long-term customer agreements leaves it vulnerable to fluctuations in demand. Losing customers or experiencing reduced demand could have a substantial negative impact on the business.
- The company's revenue heavily depends on a small number of customers, with the top 5 customers accounting for 81.84% of revenues as of September 30, 2023. Losing even one of these customers would significantly damage the company's financial health.
- Operating in a regulated and evolving industry exposes the company to changing laws, rules, regulations, and legal uncertainties. Adaptation to these changes is crucial for sustaining business operations effectively.

Valuation and Outlook

The cost of the shares is expected to be between ₹210 to ₹221 per share, If we look at the valuation, JG Chemicals has a P/E ratio of 12.75x which is calculated using a price above ₹221 and an FY23 EPS of Rs 17.32 while the industry P/E is 31.48x.

Peers Analysis.

Name of the company	Total Income (in Rs. Million) ⁽¹⁾	Closing price on Feb 22, 2024 (in Rs.) ⁽²⁾	EPS (Basic) ⁽¹⁾	EPS (Diluted) ⁽¹⁾	P/E Ratio as on Feb 22, 2024	Return on Net Worth (in %) ⁽¹⁾	Net Asset Value (in Rs. per share) ⁽¹⁾
J.G.Chemicals Limited ⁽⁴⁾	7,941.88	[●]	17.32	17.32	[●]	27.49%	63.02
Listed Peers							
Rajratan Global Wire Limited	8,986.80	659.20	19.72	19.72	33.43	22.79%	86.54
NOCIL Limited	16,228.10	277.15	8.95	8.92	30.97	9.61%	93.14
Yasho Industries Limited	6,825.95	1,787.90	59.54	59.54	30.03	28.52%	208.75

JG Chemicals is expanding its facilities and product range to meet market demands in ceramics and non-tyre sectors. With a strong market position, it aims for growth in South East Asia despite challenges. Favorable outlook in automotive, rubber, and ceramics industries positions it for sustained growth. Although it faced a downturn in FY24 due to falling zinc oxide prices, the company is expected to bounce back. While the issue appears fully priced, it holds potential for medium to long-term gains. We recommend subscribing to this issue.

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