J.G. Chemicals Limited

COMPANY BACKGROUND

- JG Chemicals Limited (JGCL), incorporated in 1975, is the largest manufacturer of Zinc Oxide in India., having a 30% market share (as on March, 2022)
- The company started off with a small plant in Kolkata in 1975 with a capacity of about 600 MTPA and has today scaled up to become the top 10 manufacturers globally with a capacity of 70,000 MTPA.
- From an initial customer base of about 10, today they are catering to the requirements of over 200 domestic customers and over 50 global customers in more than 10 countries.
- Their product caters to a wide spectrum of industrial applications, including Rubber and Tyre, Ceramics, Paints & Coatings, Pharmaceuticals & Cosmetics, Electronics & Batteries, Agrochemicals & Fertilizers, Speciality chemicals, Lubricants, Oil & Gas and also Animal feed.
- It is one of the largest suppliers to the top tyre companies globally and other blue-chip companies in various industries.
- JGCL's subsidiary, BDJ Oxides' Naidupeta plant is the only IATF approved ZnO facility globally and also has WHO GMP certification (amongst the very few plants globally to have this); further it has also the licenses to manufacture ZnO in with IPBP/USP/ Ph.Eu Standards.

BUSINESS MIX

Zinc Oxide	Zinc Sulphate and other allied chemicals
Production of over 80 Grades of Zinc Oxide	Production of Zinc Sulphate Heptahydrate and Zinc Sulphate Monohydrate

KEY STRENGTHS

- JG Chemicals is the largest manufacturer of Zinc Oxide in India
- Over 95% of the sales are directly to customers, including 200+ domestic customers, 90%+ repeat customers and 50+ global customers from more than 10 countries. This helps in building strong relations.
- The company uses an Environmentally Friendly Manufacturing Process wherein recycled metal instead of finite virgin ores are used. This efficiently utilizes scrap materials through recycling
- The company focuses on using the maximum amount of zinc scrap across all the manufacturing processes.
- The use of secondary/ recycled zinc instead of primary zinc helps in reducing energy consumption by about 73% and reduction in carbon footprint by about 82%.

FINANCIAL PERFORMANCE

(INR Mn)	Total Income	EBITDA	EBITDA %	PAT	PAT %	EPS
FY22	6,231	656	10.70%	423	6.90%	12.61
FY23	7,942	851	10.85%	568	7.24%	17.32
FY24	6,754	530	7.94%	321	4.81%	9.60
Q1 FY25	2,030	229	11.31%	159	7.85%	3.88

Key Data	
BSE Code	544138
NSE Code	JGCHEM
Reuters	
Bloomberg	JGCHEM:IN

Market Data (INR) As on 30th June, 2024	
Face Value	10.0
CMP	236.9
52 Week H/L	274.4/171.0
MCAP (Mn)	9,283.2
Shares O/S (Mn)	39.2

Performance As on 30th June, 2024

	3M	6M	12M
J.G. Chemicals	38.5%	NA	NA
SENSEX	6.8%	9.4%	21.9%
BSE Small-cap	19.7%	21.6%	59.4%

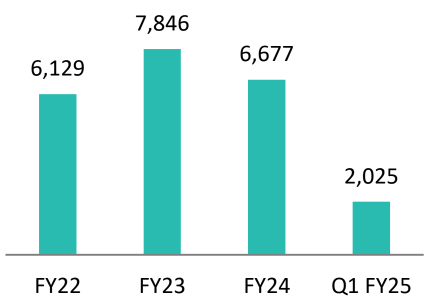
Shareholding Pattern As on 30th June, 2024	
Promoters	70.99%
Public	19.04%
DII/AIF	3.64%
FPI	6.33%

PRODUCT MIX

1. Zinc Oxide:

- Zinc Oxide is an inorganic compound; white in color and insoluble in water
- Zinc Oxide is a highly versatile chemical, it is used is for various industries
- Each industry has different specifications and requirements; Requires high degree of customization – both, in operating parameters as well as plant designing & engineering
- 80+ grades of Zinc Oxide sold for a wide spectrum of industrial applications
- Zinc Oxide caters to a wide spectrum of industrial applications, including Rubber and Tyre, Ceramics, Paints & Coatings, Pharmaceuticals & Cosmetics, Electronics & Batteries, Agrochemicals & Fertilizers, Speciality chemicals, Lubricants, Oil & Gas and also Animal feed
- The Company uses the Indirect (French) process to manufacture Zinc Oxide. This process is the most dominant technology globally. Zinc Oxide produced through French Process is of better quality and has higher acceptability
- Globally, over 50% of Zinc Oxide is used in non rubber applications; In India, only 30% is used in the non-rubber industry

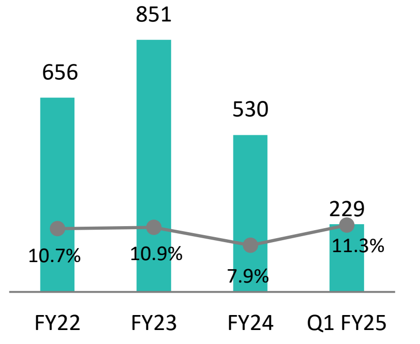
Revenue from Operations (INR Mn)



2. Zinc Sulphate:

- Zinc sulphate is an inorganic compound which is used in the agriculture industry, as medication and as a nutritional supplement
- JGCL has a 10,080 MTPA capacity for manufacturing zinc sulphate & allied chemicals, making it the largest Zinc Sulphate plant in Southern India. South India has high deficiency of zinc in soil.
- Given the significant agricultural activity in Northern India, the majority of zinc sulphate manufacturers are situated there. However, the logistical challenges and cost implications of transporting zinc sulphate from the North to the South make it impractical. This creates a production void in Southern India. J.G. Chemicals steps in to fill this gap.
- Key application areas for Zinc Sulphate include Agriculture and Pharma. In agriculture, Zinc Sulphate is used in For meeting deficiency in micro nutrients in the soil, leading to better crop productivity and quality especially in southern states where the soil is zinc deficient
- Zinc being a strong immunity builder – rise in consumption due to COVID-19. It also finds use in cosmetic products due to anti bacterial and anti microbial properties.

EBITDA (INR Mn) & EBITDA Margin (%)



STRATEGIC OVERVIEW

- There are high entry barriers in the key end-user industries. There are stringent norms by Global & Indian tyre manufacturers, challenging approval process, stringent product approvals, high working capital.
- The company intends to ramp up the offering in the Zinc Sulphate business and intends to develop their own brand for deeper penetration in the market. Leveraging existing customer base will help cross-sell the products.
- The Company intends to build up production of the Pharmaceutical grade Zinc Oxide.
- The company proposes to establish a greenfield manufacturing facility in Gujarat. This would help make in-roads in Western India catering to the needs of ceramics and tyre industry customers having presence in the Western India.
- With the greenfield manufacturing facility in Gujarat, the company proposes to cater to the demand of Zinc Oxide prevalent in Western States for pharmaceuticals, specialty chemicals, petroleum additives and other allied products due to local manufacturing presence.
- The company is exploring both organic & inorganic growth opportunities in South East Asia. The company is already the approved vendor of large global tyre companies having significant present in South East Asia.

PEER COMPARISON (TRAILING 12 MONTHS) INR Mn

Company	Revenue	EBITDA	EBITDA%	Net Profit	PAT%	M Cap
J.G. Chemicals	6,979	683	9.78%	441	6.33%	9,283
Tinna Rubber	4,186	756	18.07%	497	11.87%	33,774
Rajratan Global Wire	9,067	1,321	14.56%	746	8.23%	29,935
NOCIL	14,202	1,799	12.66%	1,258	8.86%	46,036
PCBL	72,159	11,849	16.42%	4,998	6.93%	96,725

INCOME STATEMENT

INCOME STATEMENT (INR Mn)	FY22	FY23	FY24	Q1 FY25
Total Operating Income	**6,129**	**7,846**	**6,677**	**2,025**
Operating Expenses	5,575	7,091	6,224	1,801
EBITDA	**656**	**851**	**530**	**229**
EBITDA Margins (%)	***10.70%***	***10.85%***	***7.94%***	***11.31%***
Finance Cost	63	50	36	4
Depreciation	27	34	45	13
Other Income	102	96	77	5
Profit before Tax and Exceptional Item	**566**	**767**	**449**	**212**
Share Of Loss Of Associates	-	-	18	-
Profit Before Tax	**566**	**767**	**431**	**212**
Tax	143	199	110	53
Profit After Tax	**423**	**568**	**321**	**159**
PAT Margins (%)	***6.90%***	***7.24%***	***4.81%***	***7.85%***
Other Comprehensive Income	1	1	47	-
Total Comprehensive Income	**432**	**569**	**368**	**159**
Basic EPS (INR)	12.61	17.32	9.60	3.88

BALANCE SHEET

Particulars (INR Mn)	FY22	FY23	FY24
EQUITIES & LIABILITIES			
(A) Equity share capital	12	317	392
(B) Other equity	1,514	1,759	3,592
(C) Non Controlling Interest	40	59	71
Total Equity	**1,566**	**2,135**	**4,055**
Non-Current Liabilities			
(A) Financial liabilities			
(i) Borrowings	56	67	36
(B) Provisions	2	3	4
(C) Deferred Tax Liabilities	-	6	
Total Non-Current Liabilities	**58**	**76**	**40**
Current liabilities			
(A) Financial liabilities			
(i) Borrowings	883	636	102
(ii) Trade payables	53	84	82
(iii) Other Financial Liabilities	39	23	170
(B) Other current liabilities	21	5	20
(C) Provisions	11	13	15
(D) Current Tax Liabilities	9	6	6
Total Current Liabilities	**1,017**	**767**	**395**
Grand Total Equities & Liabilities	**2,641**	**2,978**	**4,490**

Particulars (INR Mn)	FY22	FY23	FY24
Non-Current Assets			
(A) Property, plant and equipment	224	353	417
(B) Capital work-in-progress	74	9	-
(C) Intangible assets	-	-	-
(D) Financial Assets			
(i) Investments	85	30	112
(ii) Other Financial Assets	9	12	10
(E) Deferred Tax Asset (Net)	-	-	7
(F) Other Non-Current Assets	12	11	5
Total Non-Current Assets	**404**	**415**	**551**
Current Assets			
(A) Inventories	883	1,038	557
(B) Financial Assets			
(i) Trade receivables	948	1,156	1,167
(ii) Cash & Bank Equivalents	81	48	1,467
(iii) Investments	-	-	321
(iv) Loans	18	18	-
(v) Other Financial Assets	89	212	180
(C) Current Tax Assets (Net)	-	-	-
(D) Other current assets	219	91	247
Total Current Assets	**2,237**	**2,563**	**3,939**
Total Assets	**2,641**	**2,978**	**4,490**

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