

Issue Snapshot

- JG Chemicals Ltd (JGCL / the “Company”) is India’s largest Zinc Oxide (ZnO) manufacturer in terms of production and revenue for zinc oxide manufacturing through French process.
- ZnO caters to a wide spectrum of industrial applications, including in the rubber (tyre & other rubber products), ceramics, paints & coatings, pharmaceuticals & cosmetics, electronics & batteries, agro-chemicals & fertilizers, specialty chemicals, lubricants, oil & gas and animal feed.
- JGCL sells over 80 grades of zinc oxide and is among the top ten manufacturers of zinc oxides globally. The market share of the Company is around 30% as on March 2022. Over the last three years, JGCL marketed and sold its product to over 200 domestic customers and over 50 global customers in more than 10 countries.
- The Company’s aggregate installed capacity of 77,040 MTPA is spread across its three manufacturing facilities located at (i) Jangalpur (Kolkata, West Bengal); (ii) Belur (Kolkata, West Bengal); and (iii) Naidupeta (Nellore District, Andhra Pradesh).
- JGCL has successfully built a strong network of domestic suppliers as well as a diverse & global supplier base having procured raw materials from over 100 global suppliers in the last 3 years which enables it to evaluate the various available options & choose according to its commercial considerations.
- During Fiscals 2017 to 2021, the tyre production in India has grown at a CAGR of 0.32%, whereas in the same period, JGCL has grown its volumes at a significantly higher CAGR of 13.32%.

Financial Summary (Rs. in Mn)

| Key Financial Performance | December 31, 2023 | Fiscal 2023 | Fiscal 2022 | Fiscal 2021 |
|---------------------------|-------------------|-------------|-------------|-------------|
| Revenue from operations | 4,863 | 7,846 | 6,128 | 4,353 |
| EBITDA | 329 | 851 | 664 | 486 |
| EBDITA Margin (%) | 6.8% | 10.9% | 10.8% | 11.2% |
| PAT | 185 | 568 | 431 | 288 |
| PAT Margin (%) | 3.8% | 7.2% | 7.0% | 6.6% |
| Operating Cash Flows | 671 | 312 | 68 | -73 |
| Net Worth | 2,179 | 1,999 | 1,477 | 1,085 |
| Net Debt | -709 | -422 | -40 | -136 |
| Debt Equity Ratio | 0.11 | 0.34 | 0.62 | 0.69 |
| ROCE (%) | 12%* | 29% | 26% | 25% |
| ROE (%) | 8%* | 31% | 31% | 24% |

*Not annualized

Source: JG Chemicals RHP

Issue Detail:

Issue Size: ₹ 2,469 – 2512 Mn

Fresh Issue: ₹ 1,650 Mn

Offer for sale: Up to of 39,00,000 Equity Shares

Face Value: ₹ 10/-

Price band: ₹ 210 – 221

Bid Lot: 67 Shares and in multiple thereof

Post-issue Implied Market Cap = 8,311 – 8,660 Mn

Pre-offer No. of Equity Shares = 3,17,20,000

Post-offer No. of Equity Shares = 3,91,86,063 – 3,95,77,142

BRLMs: Keynote Financial Services Ltd
Centrum Capital Ltd, Emkay Global Financial Services Ltd

Registrar: KFin Technologies Ltd.

Listing: BSE & NSE

Issue opens on: Tuesday, 5th March 2024

Issue closes on: Thursday, 7th March 2024

Indicative Timetable

| Activity | On or About |
|--|-------------|
| Finalisation of Basis of Allotment | 11/03/2024 |
| Refunds/Unblocking ASBA Fund | 12/03/2024 |
| Credit of equity shares to Demat Account | 12/03/2024 |
| Trading commences | 13/03/2024 |

Issue Break-up

| Investor Category | No. of Shares | Rs. in Mn | | % of Issue |
|-------------------|--|--------------|--------------|-------------|
| | | Lower | Upper | |
| ANCHOR | Lower: 34,09,818 Upper: 35,27,142 | 741 | 754 | 30% |
| QIB | Lower: 22,73,212 Upper: 23,51,428 | 494 | 502 | 20% |
| HNI | Lower: 17,04,910 Upper: 17,63,572 | 370 | 377 | 15% |
| -HNI Small* | Lower: 5,68,303 Upper: 5,87,857 | 123 | 126 | 5% |
| -HNI Big* | Lower: 11,36,607 Upper: 11,75,715 | 247 | 251 | 10% |
| RETAIL | Lower: 39,78,123 Upper: 41,15,000 | 864 | 879 | 35% |
| Total | Lower: 1,13,66,063 Upper: 1,17,57,142 | 2,469 | 2,512 | 100% |

*HNI Small = HNI Bid between ₹ 2 to 10 Lakhs

*HNI Big = HNI Bid Above ₹ 10 Lakhs

Shareholding (%)

| | Pre-Issue | Post-Issue |
|--------------|---------------|---------------|
| Promoters | 100.0% | 71.0% |
| Public | 0.0% | 29.0% |
| Total | 100.0% | 100.0% |

OBJECTS OF THE OFFER

| Sr. No | Particulars | Estimated amount ⁽¹⁾ |
|--------|--|---------------------------------|
| 1. | Investment in Material Subsidiary, viz. BDJ Oxides: | |
| (i) | repayment or pre-payment, in full or in part, of all or certain borrowings availed by Material Subsidiary; | 250.00 |
| (ii) | funding capital expenditure requirements for setting up of R&D Centre; | 60.58 |
| (iii) | funding its long-term working capital requirements | 600.00 |
| 2. | Funding long-term working capital requirements of the Company | 350.00 |
| 3. | General corporate purposes ⁽¹⁾ | [●] |
| | Total | [●] |

(1) To be finalized on determination of the Offer Price and updated in the Prospectus prior to filing with the RoC. The amount to be utilised for general corporate purposes will not exceed 25% of the Gross Proceeds.

Source: JG Chemicals RHP

Offer for Sale Details

| Sr. No. | Name of the Selling Shareholder | Offered Shares |
|---------|---|-----------------|
| 1. | Vision Projects & Finvest Private Limited | Up to 2,028,900 |
| 2. | Jayanti Commercial Limited | Up to 1,100 |
| 3. | Suresh Kumar Jhunjhunwala (HUF) | Up to 1,260,000 |
| 4. | Anirudh Jhunjhunwala (HUF) | Up to 610,000 |

Source: JG Chemicals RHP

Experienced Board of Directors

| | | |
|-----------------------|---|--|
| Promoters | Suresh Jhunjhunwala Age: 71 years Executive Chairman and Whole-time Director | Education: B.Com. (Part I) Experience: Over 35 years of experience in chemical and specialty chemical industry. |
| | Anirudh Jhunjhunwala Age: 45 years MD & CEO | Education: B.Com. ; MBA from University of Warwick Experience: Over 20 years of experience in chemical and specialty chemical industry |
| | Anuj Jhunjhunwala Age: 40 years Whole-time Director & CFO | Education: B.Com, MSc. (F), MBA from Said Business School, University of Oxford Experience: Over 14 years of experience |
| Independent Directors | Ashok Bhandari Age: 71 years Independent Director | Education: CA Previous stint: CFO at Shree Cements Ltd.; currently on the board of Maharashtra Seamless Ltd, IFB Industries Ltd, Skipper Ltd, and Rupa & Company Ltd. |
| | Sukanta Nag Age: 64 years Independent Director | Education: B.Com, M.Com, CA, ICWA, CS, IIB Previous stint: Credit Analysis & Research Ltd. and Infomerics Valuation & Rating Pvt. Ltd. |
| | Savita Agarwal Age: 51 years Independent Director | Education: CA, IBBI (IP) Previous stint: Knitwoth Exports Ltd., Kalpaturu Engineering Ltd., Mapple Commerce Pvt. Ltd and Manmohak Suppliers Pvt. Ltd. |

Source: JG Chemicals RHP

Business Overview

JG Chemicals Ltd is India's largest zinc oxide manufacturer in terms of production and revenue for zinc oxide manufacturing through French process. Zinc oxide (ZnO) is an inorganic compound, white in colour and insoluble in water. ZnO is present in the earth's crust as mineral zincite and usually contains manganese and other impurities. Hence, for commercial use it is synthetically made. Zinc oxide as a compound has varying grades, depending on the end-use and is not a one size fits all product. Each end user industry segment has its own peculiarities in terms of specifications and within each user industry, each customer also has different specifications and requirements. Hence, there is an extremely high degree of customization which is required not just in operating parameters but also in plant design and engineering which has to be factored while building new plants to ensure that multiple grades can be produced at the required volumes on a continuous basis.

JGCL sells over 80 grades of zinc oxide and is among the top ten manufacturers of zinc oxides globally. The market share of the Company is around 30% as on March 2022. The Company's product caters to a wide spectrum of industrial applications, including in the rubber (tyre & other rubber products), ceramics, paints & coatings, pharmaceuticals & cosmetics, electronics & batteries, agro-chemicals & fertilizers, specialty chemicals, lubricants, oil & gas and animal feed. Over the last three years, JGCL marketed and sold its product to over 200 domestic customers and over 50 global customers in more than 10 countries.

In India, tyre industry accounts for 70% of rubber consumption and the companies in the tyre industry are the largest consumers of the Company's product. Along with being suppliers to 9 out of top 10 global tyre manufacturers and to all of the top 11 tyre manufacturers in India, JGCL also supplies to leading paints manufacturers, footwear players and cosmetics players in India. The Company's Material Subsidiary, BDJ Oxides is the only zinc oxide manufacturing facility in India to have an IATF certification, which is preferred by tyre manufacturers supplying to original equipment manufacturers.

Revenue Mix (%)

| Industry | Nine months period ended December 31, 2023 | Fiscal 2023 | Fiscal 2022 | Fiscal 2021 |
|-----------------------------|---|---------------|----------------|----------------|
| Rubber and tyres | 90.50 | 90.46 | 90.10 | 89.20 |
| Pharmaceuticals & chemicals | 7.09 | 6.79 | 6.37 | 7.48 |
| Agriculture | 0.75 | 0.92 | 2.06 | 1.79 |
| Others* | 1.66 | 1.83 | 1.47 | 1.53 |
| Total | 100.00 | 100.00 | 100.00 | 100.00 |

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

Source: JG Chemicals RHP

As a manufacturer of zinc oxide, it is a pre-requisite in most of JGCL’s end-use industries for its products to be customised according to the specifications by customers, which usually acts as a significant entry barrier. Further, high cost of product development, complexity of the chemistry involved in innovating and tailoring the Company’s products to the customised needs of its customers, which requires necessary technical expertise and lengthy and stringent supplier qualification process are the other entry barriers in JGCL’s business.

Manufacturing Facilities

As on December 31, 2023, the Company’s aggregate installed capacity of 77,040 MTPA is spread across its three manufacturing facilities located at (i) Jangalpur (Kolkata, West Bengal); (ii) Belur (Kolkata, West Bengal); and (iii) Naidupeta (Nellore District, Andhra Pradesh), which is JGCL’s largest manufacturing facility and is owned and operated by its Material Subsidiary.

Aggregate Installed Capacity (MTPA)

| Financial Date | Year / | Installed Capacity | | |
|-------------------|--------|--------------------|------------|--|
| | | Zinc Oxide | Zinc Ingot | Zinc Sulphate & other allied chemicals |
| December 31, 2023 | | 59,904 | 7,056 | 10,080 |
| 2023 | | 59,904 | 7,056 | 10,080 |
| 2022 | | 46,464 | 5,040 | NA |
| 2021 | | 38,832 | NA | NA |

Source: JG Chemicals RHP

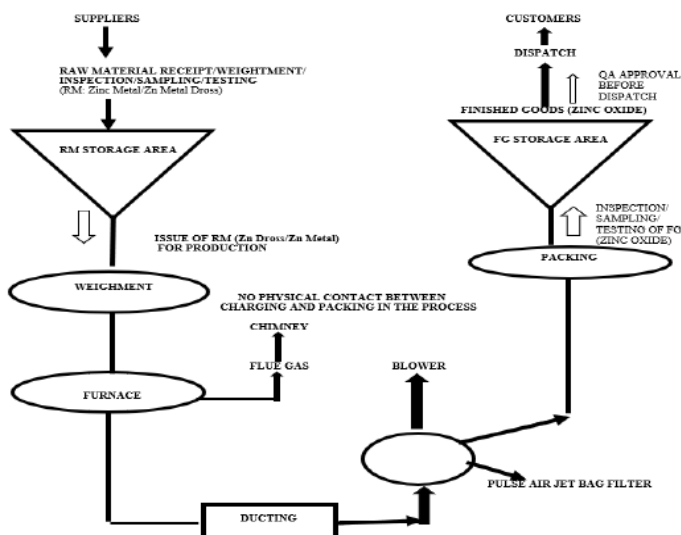
The installed capacity of the Company’s Naidupeta Facility specified above, has recently been augmented by an additional 13,440 MTPA for zinc oxide and 10,080 MTPA for zinc sulphate and other allied chemicals. All processes at the Company’s manufacturing facilities are undertaken with modern engineering systems to minimize emissions. Further, JGCL’s subsidiary, BDJ Oxides has obtained WHO GMP certificate for manufacture and supply of pharma grade zinc oxide at its Naidupeta Facility.

All of the Company’s manufacturing facilities have been accredited with ISO 9001:2015, ISO 45001:2018 and ISO 14001:2015. With an intention to supply to customers in the European Union, JGCL has also obtained the REACH (Registration, Evaluation, Authorization and Restriction of Chemicals, Regulation (EC) No. 1907/2006) certification which allows the Company to supply its products to the European Union. JGCL’s recognition as a ‘Two Star Export House’ by the Director General of Foreign Trade, Ministry of Commerce & Industry valid, till March 31, 2028, signifies that the Company has excelled in international trade and has successfully contributed to country’s foreign trade. The Company’s facilities are also subject to periodic audits by its customers, which ensures that the customers are able to continually confirm the quality of the Company’s product and evaluate its manufacturing processes. Further, the audit scores based on customer evaluations have been consistently in the higher end of the spectrum, which reflects the confidence of customers in JGCL’s products and processes.

Raw Materials and Manufacturing Process

The Company procures its raw materials from multiple domestic and global suppliers. JGCL's primary raw materials are virgin zinc metal and Zinc Dross (which is a type of zinc scrap). JGCL procures virgin zinc metal and Zinc Dross from various domestic and global entities. Zinc Dross is primarily produced by steel galvanizers as a by-product of steel production. The availability of zinc scrap is a challenge and the biggest constraint for new entrants in the market is to build a global supply network. Most of the Zinc Dross which comes from western countries is through old and established trading houses who work based on long term relationships and refrain from doing business with new entrants due to a wide range of complexities associated with dealing in Zinc Dross. The Company's ability to utilise Zinc Dross for the production of zinc oxide helps it in reducing the carbon footprint since a by-product is used for production of the final product. Due to the difficult sourcing pattern of Zinc Dross, several zinc oxide facilities have faced supply side constraints due to which they have been forced to shut / curtail production and therefore, new players are often reluctant to enter the ZnO business. JGCL has successfully built a strong network of domestic suppliers as well as a diverse & global supplier base having procured raw materials from over 100 global suppliers in the last three years. JGCL's extensive global supplier base enables it to evaluate the various available options and choose according to its commercial considerations. Some of these relationships have been nurtured over the years, enabling the Company to be termed as a preferred customer for certain global suppliers of Zinc Dross.

ZnO is made through three processes for commercial uses namely, indirect process, direct process and wet chemical process. The indirect process is also known as the French process. Most of the world's ZnO is manufactured through the French process as zinc oxide produced through French process has use in many applications and its chemical properties are more conducive. A brief and basic flow chart setting out an overview of JGCL's manufacturing process is below:



Source: JG Chemicals RHP

Competitive Strengths

Leading market position with a diversified customer base: JGCL is the largest manufacturer of zinc oxides in India and among the top ten manufacturers of zinc oxides globally, with an installed capacity of 59,904 MTPA for zinc oxide, 7,056 MTPA for zinc ingots and 10,080 MTPA capacity for zinc sulphate and other allied chemicals. The installed capacity of JGCL's Naidupeta Facility, has recently been augmented by 13,440 MTPA for zinc oxide and 10,080 MTPA for zinc sulphate and other allied chemicals. JGCL sells over 80 grades of zinc oxide, thereby enabling it to cater to a wide variety of customers, across various end-use industries. The Company's products cater to a wide spectrum of industrial application including rubber (tyre & other rubber products), ceramics, paints & coatings, pharmaceuticals & cosmetics, electronics & batteries, agro-chemicals & fertilizers, speciality chemicals, lubricants, oil and gas and animal feed. JGCL has long-standing relationship with a few marquee customers in such industries. Diversification of customer base across the domestic and global markets, has enabled JGCL to further diversify and expand its business relationships. JGCL is a supplier to 9 out of top 10 global tyre manufacturers and to all of the top 11 Indian tyre manufacturers.

During Fiscals 2017 to 2021, the tyre production in India has grown at a CAGR of 0.32%, whereas in the same period, JGCL has grown its volumes at a significantly higher CAGR of 13.32%. Despite slow growth of its biggest end-use industry customer, the Company has been able to grow primarily on account of (i) long term relationships with tyre companies which have been developed through the products the Company offers them; (ii) ability to scale up production as per the customer requirements; (iii) certainty of and on time supply of its products to customers; and (iv) ability offer the right quality at the right price to the customers. Further, even though the demand in the automotive sector has been slow in the last few Fiscals, JGCL also caters to the replacement market, which is around 55% of the total tyre demand.

High entry barriers in key end-use industries: The Company's end-use industries have significant entry barriers due to specific factors unique to such end-use industries. Given the nature of the application of its products and the processes involved, JGCL's products are subject to, and measured against high quality standards and rigorous product approval systems with stringent impurity specifications. Further, because end products manufactured by JGCL's customers are typically subject to stringent regulatory and industry standards, any change in the vendor of the product may require significant time and expense on part of the customers, which acts an entry barrier and disincentives any such changes for them. Some of the entry barriers for JGCL's end-use industries are:

- **Stringent vendor approval process** – Tyre manufacturers are under strict scrutiny from the OEMs for product quality. Hence in the last 15 years, they have changed their sourcing strategy from having low cost suppliers to focus on scalability, reliability of supplies, infrastructure, systems and product quality and systems.

Large tyre manufacturing companies want to deal with suppliers who have an existing track record. For any change in suppliers, tyre manufacturers have a lengthy and expensive process of testing the product to evaluate its impact on the tyre quality. Hence, there is resistance to change or add any new suppliers, since, the approvals take significant time of upto 5 years once initiated. Similarly, the product approvals for specialty chemicals industries are strict and stringent and not only does it take a long time in obtaining the approval, but also involves significant expenditure. JGCL's Material Subsidiary, BDJ Oxides is the only zinc oxide manufacturing facility in India to have an IATF certification and has also obtained the requisite licenses from Government of Andhra Pradesh Drugs Control Administration in the year 2020, to manufacture zinc oxide in accordance with IP/ BP/ USP/ Ph. Eur standards (i.e. Indian Pharmacopoeia/ British Pharmacopoeia/ United States Pharmacopeia/ European Pharmacopeia). JGCL is one of the few players in the industry to have certifications related to pharma industry.

- **Raw material tie-ups** – Zinc Dross is produced as a by-product by steel galvanizers. The availability of Zinc Dross is a challenge and the biggest constraint for new entrants in the market is to build a global supply network. The overall domestic availability of Zinc Dross is far less than requirement and therefore, there is a need to import the same. Since the availability of Zinc Dross is limited and traders prefer selling Zinc Dross to large buyers instead of small ones, due to advance payment requirement, it prevents new entrants into the market. Due to the difficult sourcing pattern for this product, new players are reluctant to enter zinc oxide business. Several zinc oxide facilities have faced supply side constraints due to which they have been forced to shut / curtail production. JGCL has built a diverse global supplier base having procured raw materials from over 100 global suppliers in the last three years. JGCL's extensive global supplier base enables it to evaluate the various available options and choose according to its commercial considerations. Some of these relationships have been nurtured over the years, enabling JGCL to be termed as a preferred customer for certain global suppliers of Zinc Dross.
- **Technical expertise** – Most of the zinc oxide produced in India is from Zinc Dross. Zinc Dross is a scrap and there is no uniform grade of zinc scrap. Every galvanizer generates Zinc Dross which is different in terms of quality and therefore the productivity and quality of zinc oxide which is derived from it, varies. The chemistry involved in making a consistent quality of zinc oxide using different types of Zinc Dross is a complex process. Understanding this and customising the zinc oxide manufactured in line with customer specifications across end-use industries is one of the key challenges as each buyer has a separate specification and there are no standard specifications accepted across any end user application. JGCL has a dedicated focus on developing products which are customized as per the specific needs and grades specified by customers.

JGCL always maintains a reasonable amount of inventory across all its facilities and has a stable supply of raw materials, which enables it to blend different compositions of Zinc Dross to produce the required grade of zinc oxide and supply the same as per the specifications provided by the customers. JGCL's ability to address the varied and stringent client requirements over long periods enables it to serve its customers at all times. This has helped the Company to obtain additional business from existing customers as well as nurture new customer relations in an industry marked by high entry barriers.

- **High working capital requirements** – The traders who sell Zinc Dross, the raw material for zinc oxide production, prefers advance payments from zinc oxide manufacturers. Also, sales made by zinc oxide manufacturers to customers are mostly on credit. These credit terms may vary depending on the customer, industry and the bargaining power of the suppliers and customers, leading to a high working capital requirement in the zinc oxide industry which acts as a major deterrent for entry of new players. JGCL procures its raw materials on an advance basis in cash and the sales made by the Company to its customers is mostly on credit.
- **Supplier customer relationship** – In the specialty chemicals industry, customers select their suppliers after critically evaluating them and therefore choose to have a long-term relationship with them as the cost to change the suppliers is significant. Various of JGCL's customers have conferred on the Company the status of preferred supplier, primarily due to JGCL's focus on building long term relationships which helps in achieving higher profits with increase in order volumes.

Strong and consistent financial performance: The Company has experienced sustained growth with respect to the various financial indicators as well as a consistent improvement in the balance sheet position. Further, in the last three Fiscals, JGCL has seen an increase in its net worth. JGCL strives to maintain a robust financial position with emphasis on having a strong balance sheet and increased profitability. A strong balance sheet coupled with low levels of debt enables JGCL to pursue opportunities for further growth. In addition, JGCL's business has high working capital requirements and its strong balance sheet allows it to meet such requirements and is a factor critical to JGCL's business. The Company's financial strength and access to financing provides it a valuable competitive advantage over its competitors.

Long-term relationships with customers and suppliers & having robust supply chain: JGCL believes in establishing a direct relationship with its customers and over 95% of its sales in the last three Fiscals is directly to the customers without involvement of any intermediary/distributor, which helps build a strong relationship directly with its customers along with lowering of costs and improvement in returns. With many of JGCL's customers, its relationship extends to several years. In the last three Fiscals, JGCL catered to more than 250 customers, of which around 90% customers were repeat customers.

Such long-term association with key customers also offers significant competitive advantages such as revenue visibility, industry goodwill and enables JGCL to demonstrate its quality. As a result of the deep rooted association with its customers, the Company often receives new product requirements from such customers which in turn, helps to expand its product base.

On the procurement side, most of the Zinc Dross which comes from overseas is through old and established trading houses who work based on long term relationships and refrain from doing business with new entrants due to a wide range of complexities associated with dealing in Zinc Dross. JGCL has built a diverse global supplier base having procured raw materials from over 100 global suppliers in the last three Fiscals. The Company's extensive global supplier base enables it to evaluate the various available options and choose according to JGCL's commercial considerations. Some of these relationships have nurtured over the years, enabling the Company to be termed as a preferred customer for various global suppliers of Zinc Dross. JGCL's long-standing relationship with its suppliers and customers envisioning a partnership approach together with its internal processes, including exercise of supplier quality assurance system has enabled the Company to ensure a robust supply chain.

Experienced and dedicated management team: The Company is led by qualified and experienced Promoters and management team, that JGCL believes has the expertise and vision to manage and grow its business. JGCL's Promoters, Suresh Jhunjunwala, Anirudh Jhunjunwala and Anuj Jhunjunwala have a cumulative experience of over 8 decades in the industry and have been instrumental in the Company's growth and development. Suresh Jhunjunwala, one of the Company's Promoters, has been at the helm of the Company since 2001, prior to which he was involved in various manufacturing businesses which has led to him forging strong ties with its customers. Anirudh Jhunjunwala and Anuj Jhunjunwala are second generation entrepreneurs and bring their acumen in finance and process chemistry to the business. They have also been instrumental in identifying and initiating dialogue with new customers and existing customers for development of new products. The Promoters are ably supported by the management team's collective experience and capabilities which enables JGCL to understand and anticipate market trends, manage its business operations and growth, leverage customer relationships, and respond to changes in customer preferences.

Focus on long term sustainability with environmental initiatives and safety standards: JGCL a strong focus on sustainability in all aspects of its operations and over the years has adopted various green initiatives. Caring for the environment and sustainable development along with being the core principles that drive the organization is also desired by the customers and accordingly, JGCL constantly strives to reduce emissions and recycle and reuse to conserve natural resources. As a part of its initiatives towards continual improvement, JGCL has also obtained the Environment Management System certification under the new standard of ISO 14001: 2015 for each of its manufacturing facilities.

JGCL uses the French process to produce various grades of zinc oxide, and uses modern pulse jet bag filters and combustion systems which ensures high productivity, low energy consumption and maintains required standards with respect to emission norms. The Company uses over 90% recycled metal, i.e. secondary zinc (dross/ scrap/ scrub) as its raw material, instead of virgin metal, which helps in lowering the emission of carbon dioxide, reduces air and water pollution and also reduces water use by considerable quantity. JGCL has also installed recuperators in most of its furnaces. Recuperators are a special purpose counter-flow energy recovery heat exchanger that recover the waste heat from the manufacturing process and help in reducing carbon footprint and energy consumption. JGCL's ability to utilise Zinc Dross for the production of zinc oxide, also helps in reducing the carbon footprint since a by-product is used for the production of the final product.

Future Growth Strategies

Expand production capacities and broadening the footprint of manufacturing operations: JGCL has existing manufacturing facilities in the eastern and southern part of India. While JGCL has been delivering its products to all parts of India, the Company intends to increase its production capacities and broaden the manufacturing operations. JGCL has recently expanded its existing manufacturing facility located in Naidupeta, District Nellore in the state of Andhra Pradesh by 23,520 MTPA of which 13,440 MTPA will be utilised for zinc oxide and 10,080 MTPA will be utilised for producing zinc sulphate and other allied chemicals. Further, JGCL proposes to establish a greenfield manufacturing facility in the state of Gujarat. JGCL believes that establishing a presence in the western part of India by setting up or acquiring a new manufacturing facility will, in addition to augmenting the manufacturing capacity, also enable it, to capture market share by catering to the needs of the ceramics, pharmaceuticals and tyre industries, which have a presence in the western part of India. Setting up manufacturing operations in the western part of India will also provide the Company easier access to cater to the needs of such industries and increase its sales due to the proximity of various manufacturing facilities in these industries in this part of India. The new manufacturing facility will also ensure speedier delivery of products to different parts of India and be more cost efficient in terms of logistics on a pan-India basis.

With a view to further diversify its overseas customer base, JGCL intends to augment its sales in the foreign markets where it sells its products, thereby, increasing its market share in the existing geographies. With a view of undertaking such expansion, the Company is currently exploring both organic and inorganic growth opportunities in South-east Asian countries, enabling it to increase its market share in the overseas market.

Further diversify product offerings and enter new verticals: JGCL constantly seeks to introduce new product verticals and develop its product capabilities to distinguish itself from its competitors to enhance the product portfolio. Going forward, growth in the end user industries is expected to fuel the increase of zinc oxide which has properties like high chemical stability, high electrochemical coupling coefficient, broad range of radiation absorption and high photo stability. The Company believes that an expansion into new verticals of product offerings will lead to a further increase in its operational margin, which was 6.12%, 10.41%, 10.39% and 10.63% in nine months period ended December 31, 2023 and Fiscals 2023, 2022 and 2021, respectively.

- **Zinc Sulphate:** The demand for zinc sulphate which is a micro-nutrient used inter alia in the zinc based agri-chemicals industry, has been increasing over the last few years. The soil quality in the southern part of India, primarily in states like Andhra Pradesh, Karnataka, Telangana, Kerala and Tamil Nadu, is deficient in zinc micronutrient, and to meet the zinc deficiency in the soil, zinc sulphate is added, thereby contributing to the rising demand of zinc sulphate in the country. However, sourcing of raw material for manufacturing zinc sulphate, i.e. zinc ash, is a major challenge. Presently, JGCL's manufacturing process leads to generation of zinc ash, which JGCL sells in the market. However, going forward, the Company intends to utilize the in-house availability of zinc ash in production of zinc sulphate, in addition to procuring zinc ash from third parties to tap into the rising demand by various fertilizer and micro-nutrient mixture companies located in the southern part of India. Also, some of JGCL's customers use both zinc oxide and zinc sulphate, thereby enabling the Company to cross sell its products. JGCL has recently expanded its manufacturing facility in Naidupeta, Andhra Pradesh for the production of zinc sulphate, which is also capable of producing other allied chemicals, to meet the expected significant demand for zinc sulphate from the southern part of India. JGCL intends to produce other allied agriculture nutrients like ferrous sulphate hepta hydrate and magnesium sulphate hepta hydrate in the same facility with minor operational modifications, to produce such products with the desired efficiency. JGCL also intends to develop a new brand which focuses specially in the production and marketing of the zinc sulphate it manufactures, with an intention to leverage the existing customer base and distribution network to expand the product portfolio.
- **Pharmaceutical Grade Zinc Oxide:** JGCL intends to gradually increase the production of pharmaceutical grade zinc oxide for, which the Company received license in the year 2020 and for which the subsidiary, BDJ Oxides has already obtained the requisite licenses from Government of Andhra Pradesh Drugs Control Administration in the year 2020, to manufacture zinc oxide in accordance with IP/ BP/ USP/ Ph. Eur. standards and further, intends to obtain the GMP certificate. JGCL believes such certifications will enable it to cater to varying needs of the industry and open new areas of growth.

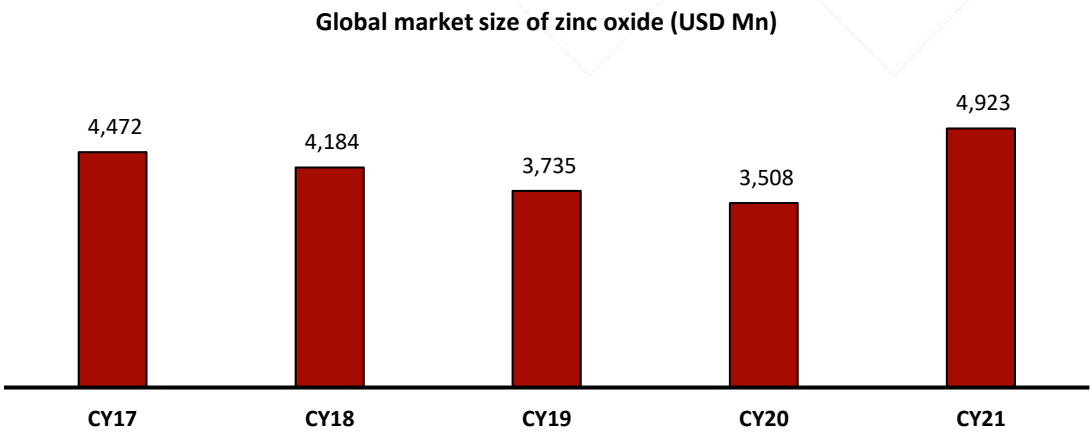
- **Specialized Zinc Oxide/Activated Zinc Oxide (Zinc Carbonate):** JGCL intends to cater to the demand for active zinc oxide grade, which is extensively used in electronics, petroleum and environmental protection industries. JGCL believes the various initiatives and PLI schemes offered by the GoI, to focus on the local manufacturing and adoption of zinc oxide will lead to an increase in the demand for highgrade zinc oxides which are mostly being imported, at present. Since the production process of this grade is similar to that of zinc sulphate, it can be produced in the same manufacturing facility, thereby optimizing utilization of such facility.
- **Zinc based agri-chemicals and nutrients:** JGCL intends to expand into many other zinc based chemicals and nutrients such as Zinc EDTA 13% and Zinc 39.5% solution which find application in agriculture, micro-nutrients and zinc based feeds & additives. JGCL believes that the basic production process for many of these can be achieved within its Naidupeta Facility, which has been recently expanded, by adding new plant and machinery. Also, the basic raw materials for production of these chemicals are zinc oxide and zinc sulphate, both of which are or will be produced by the Company.

Deep mining of existing customers and continued focus to expand customer base: JGCL believes that its leading market position within the various markets where it is present, as well as its longstanding relations with its customers positions JGCL well to increase wallet share with existing customers, and to continue focusing on expanding the customer base. Over the years, JGCL has become a preferred supplier for many global & domestic tyre companies, which have gradually started moving towards the concept of a local vendor base and reduce reliance on imports to rationalise inventory. JGCL believes having a local manufacturing presence in such countries in South-East Asia, which are strong bases of the tyre companies, will help in address the sourcing requirements of the existing customers as well as engaging in deep mining of the current product portfolio across new spectrum of customers. Harnessing its global footprint and experience, JGCL intends to increase the reach of its specialty products to the existing customers and expand its wallet share with them and also have deeper penetration in the markets.

Increasing focus on R&D to support complex chemistries, product innovation and cost efficiencies: Presently, JGCL's R&D processes focus on manufacturing zinc oxide with varied specifications suited for its end-use industries, on the floor of its manufacturing facilities itself, without there being a need for a separate R&D facility for such advances. However, as one of its objects of the Offer, JGCL intends to establish a separate R&D facility to undertake complex innovations in its products for making the same available to pharmaceuticals, agro-chemicals and battery end-use industries. JGCL is also exploring ways to develop battery grade zinc oxide and chemicals. Zinc oxide battery helps to play a major role in semiconductor ceramic elements for operation at elevated temperatures or high voltages.

Zinc Oxide Industry

The global zinc oxide market is organized and is fairly consolidated. Production capacities, process of production, grades of ZnO and variety of application segments are some of the factors through which the key players control the market. During the five-year period CY17 to CY21, the global zinc oxide market size grew from USD 4,472 Mn in CY17 to USD 4,923 Mn in CY21 and increased at a CAGR of 2.4% backed by demand from end user industries. In terms of production, the global output of zinc oxide has been in the range of around 1.40 million tonnes – 1.60 million tonnes during CY17 to CY21as per CareEdge Research.



Source: CareEdge Research, JG Chemicals RHP

The Indian zinc oxide industry includes organized players that are limited in number but constitute a major portion of the market, due to the high barriers of the entry into the industry like stringent vendor approval process by tyre manufacturers, raw-material tie ups, technological expertise, and large working capital requirements. The Indian zinc oxide industry is constituted by key organized players like JG Chemicals Pvt Ltd; Rubamin Pvt. Ltd., Transpek-Silox Ltd. that account for about 50% of the Indian zinc oxide market while rest of the market consists of various small zinc oxide producers. As a result, the industry is likely to see consolidation over the medium to long term.

The zinc oxide production in India (in terms of volumes) has been around 100,000 tonnes – 115,000 tonnes in the past 5 years (FY18 to FY22). During this period, the Indian zinc oxide market size is estimated at around Rs.18,000 Mn to around Rs.20,000 Mn. As per CareEdge Research estimates, the zinc oxide market in India is estimated to be increase by around 10%-12% CAGR from FY22 to FY27.

Zinc oxide consumption is primarily divided into three broad categories:

Tyres and rubber industry: This segment account for the largest share of zinc oxide consumption in India. The share of this segment however has reduced in India over the years from an approximate two-third of zinc oxide consumption to more than half of zinc oxide consumption in India following the trend in zinc oxide consumption globally.

Internationally, this segment has a lower share of around one third in overall zinc oxide consumption as zinc oxide has high penetration in other segments as well like ceramics and glass, paints, pharma, cosmetics, agrochemicals, feed, specialty chemicals, nutraceuticals, batteries etc. as compared to Indian zinc oxide market. This, in turn, provides an opportunity for the Indian zinc oxide market to augment the industry’s penetration in sectors other than tyres and rubber.

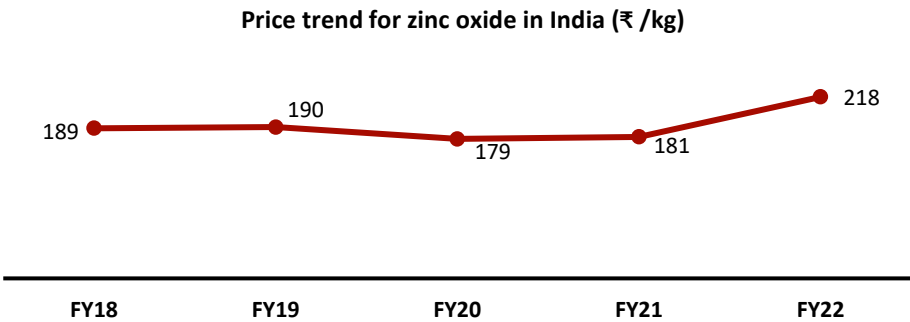
Ceramics and glass industry: The contribution of this segment in zinc oxide consumption in India is around one fifth of overall consumption compared to that of approximate one third global consumption of zinc oxide by ceramics and glass industry. The share of this segment in zinc oxide consumption in India however is expected to augment with usage of zinc oxide in ceramics industry in India in translucent glazes for brick glaze and coarse pottery, as well as transparent coarse glazes for process tableware.

Others: Others segment includes industries like paints, pharma, cosmetics, agrochemicals, feed, specialty chemicals, nutraceuticals, batteries etc. The share of others account for about one fifth of total zinc oxide consumption in India while it has a higher share of around one third in global zinc oxide consumption.

Increase in preference for premium paints, high usage of sun care products, zinc deficiency in Indian soil are some of the factors that will drive the demand from these segments and will expand the contribution of others in India’s zinc oxide consumption going ahead like that of global consumption pattern.

Zinc Oxide Price Trend:

In FY22, the price of zinc oxide increased due to increase raw material price i.e. zinc. Since zinc oxide industry is linked to the zinc LME prices, any movement of the raw material prices is a pass through and gets reflected on the selling price. The industry is fairly well protected in terms of movement in prices of the primary metal index, i.e. LME.



Source: CareEdge Research, JG Chemicals RHP

Peer Comparison

| Parameters (Rs Mn) | J.G.Chemicals Limited | | | Rajratan Global Wire Limited | | | NOCIL Limited | | | Yasho Industries Limited | | |
|-------------------------|-----------------------|-------|-------|------------------------------|-------|-------|---------------|--------|--------|--------------------------|-------|-------|
| | FY21 | FY22 | FY23 | FY21 | FY22 | FY23 | FY21 | FY22 | FY23 | FY21 | FY22 | FY23 |
| Revenue from operations | 4,353 | 6,128 | 7,846 | 5,465 | 8,929 | 8,954 | 9,247 | 15,713 | 16,166 | 3,594 | 6,127 | 6,716 |
| Total Income | 4,404 | 6,230 | 7,942 | 5,482 | 8,949 | 8,987 | 9,394 | 15,752 | 16,228 | 3,695 | 6,230 | 6,826 |
| EBITDA | 486 | 664 | 851 | 937 | 1,836 | 1,653 | 1,455 | 2,901 | 2,590 | 591 | 1,033 | 1,260 |
| EBDITA Margin (%) | 11.17 | 10.83 | 10.85 | 17.15 | 20.56 | 18.46 | 15.74 | 18.46 | 16.02 | 16.44 | 16.86 | 18.77 |
| PAT | 288 | 431 | 568 | 531 | 1,243 | 1,001 | 884 | 1,761 | 1,492 | 215 | 523 | 679 |
| PAT Margin (%) | 6.62 | 7.04 | 7.24 | 9.72 | 13.92 | 11.18 | 9.56 | 11.21 | 9.23 | 5.98 | 8.53 | 10.11 |
| Operating Cash Flows | -73 | 68 | 312 | 387 | 1,218 | 1,615 | 936 | -302 | 2,820 | 346 | 157 | 327 |
| Net Worth | 1,085 | 1,477 | 1,999 | 2,265 | 3,410 | 4,394 | 12,847 | 14,452 | 15,521 | 789 | 1,731 | 2,380 |
| Net Debt | -136 | -40 | -422 | 673 | 638 | 1,152 | -2,189 | -2,507 | -2,761 | 1,107 | 1,427 | 2,713 |
| Debt Equity Ratio | 0.69 | 0.62 | 0.34 | 0.63 | 0.40 | 0.39 | NM | NM | NM | 2.03 | 1.02 | 1.33 |
| ROCE (%) | 25.27 | 25.83 | 29.38 | 25.58 | 38.18 | 24.10 | 8.41 | 16.72 | 13.1 | 20.48 | 24.23 | 19.16 |
| ROE (%) | 24.23 | 30.64 | 30.50 | 23.45 | 43.82 | 25.66 | 6.88 | 12.90 | 9.95 | 27.21 | 41.50 | 33.03 |

NM: Not Measurable

Source: JG Chemicals RHP

About Key Management Personnel

| Key Management Personnel | Profile |
|--------------------------|---|
| Suresh Jhunjunwala | Suresh Jhunjunwala is an Executive Chairman and Whole-time Director of the Company. He has passed Bachelor of in Commerce (Part- I) Honours Examinations of University of Calcutta in 1972. He is responsible for strategy formulation and identifying new growth areas for the Company. He has been associated with the Company since its incorporation and has over 35 years of experience in chemical and speciality chemical industry. |
| Anirudh Jhunjunwala | Anirudh Jhunjunwala is a Managing Director and CEO of the Company. He holds a bachelors' degree of Commerce from Calcutta University and holds a master's degree in business administration from University of Warwick. He is responsible for the overall business activities of the Company. He has been associated with the Company since its incorporation and has over 20 years of experience in chemical and speciality chemical industry. |
| Anuj Jhunjunwala | Anuj Jhunjunwala is a Whole-time Director and CFO of the Company. He holds a bachelors' degree of Commerce from Calcutta University and a masters' degree of science in finance from the ICFAI University, Dehradun. He has completed a course on options, futures and other financial derivatives from the London School of Economics and Political Science and he is member of Council of Chartered Financial Analysts. Further, he holds a master's degree in business administration from Said Business School, University of Oxford. He has been associated with the Company since March 7, 2022. He has over 14 years of experience. In the past, he was associated with Greater Pacific Capital India Private Limited from October 2007 to June 2009 and is currently associated with the Company's Material Subsidiary, BDJ Oxides Private Limited since November 2010. |
| Swati Poddar | Swati Poddar is the Company Secretary & Compliance Officer of the Company. She holds a bachelors' degree in commerce from University of Calcutta. She is an associate member of the Institute of Company Secretaries of India. She has over five years of experience in the secretarial compliance. Prior to joining the Company, she was associated with Finecrete Eco-Blocks Private Limited, Hind Syntex Limited and Celica Developers Private Limited. She has been associated with the Company since June 2022, hence the gross remuneration paid to her during Fiscal 2023 was 0.58 million. |

Source: JG Chemicals RHP

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