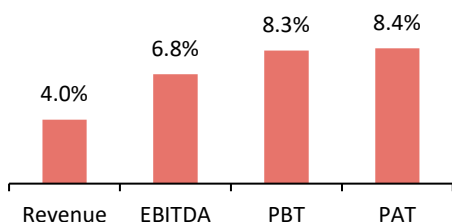


5 June 2025

New Ideas

Sector – Commodity Chemicals Sector Outlook – Positive

CAGR FY23-FY25



Stock Recommendation	Not Rated
CMP (₹)	376
52 Week H / L ₹	484/200
BSE 30	80737

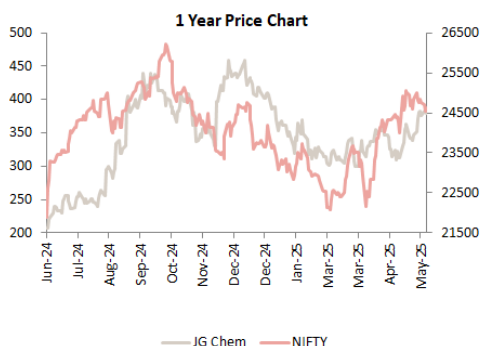
Key Data

No. of Shares, Mn.	39.2
Mcap, ₹ Mn	14734.0
Mcap, USD Mn @ ₹85.6	172
2 W Avg Qty (BSE+NSE)	187955

Shareholding, Mar'25

Promoters	71.0
FII	6.1
DII	3.7
Public & Others	19.2

Performance	1 M	3 M	6 M	1 Y
Stock Return %	22.3	17.6	-12.2	83.6
Relative Return %	21.4	8.4	-12.8	74.7



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Incorporated in 1975 and promoted by Jhunjunwala family, JG Chemicals Limited (JGCL) is the largest manufacturer of Zinc Oxide in India, with a 30% market share (as of March, 2022). The company began with a small plant in Kolkata in 1975 with a production capacity of around 600 MTPA. Since then, it has grown to become one of the leading manufacturers of zinc-based chemicals globally, with a total capacity of around 70,000 MTPA. JGCL currently operates two plants in West Bengal (16,200MTPA Zinc Oxide + 5,040 MTPA Recycled Zinc Ingots) and one in Andhra Pradesh (43,704 MTPA Zinc Oxide, 2,016 MTPA Recycled Zinc Ingots, 10,080 MTPA Zinc Sulphate and other allied chemicals). From an initial customer base of about 10, today JGCL caters 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 Animal feed. JGCL's subsidiary, BDJ Oxides, operates a plant in Naidupeta that is the only IATF-approved Zinc Oxide facility globally and holds WHO-GMP certification—one of the few such certified plants worldwide. It is also licensed to manufacture Zinc Oxide as per IP/BP/USP/Ph. Euro. standards. As of March 31, 2025, JGCL is a debt-free company. Exports contribute approximately 10% to its overall revenue, with key markets including Hungary, Thailand, Sri Lanka, Bangladesh, and Malaysia. The company is currently expanding and setting up a greenfield plant in Gujarat to meet the zinc-based chemical demands of companies located in the western region of India. At CMP of ₹ 376, stock is trading at PE of 23x FY25 EPS of Rs 16.3.

Largest manufacturer of Zinc Oxide in India, offers 80+ grades, serves varied end-use industries: JGCL derives ~85% of revenue from the rubber and tyre industry, with the top 11 Indian tyre manufacturers as their customers and 9 out of 10 global tyre manufacturers served. Zinc Oxide is not a generic product where one size fits all. Each customer, even within the same industry, has their own specific requirement and specifications. Within each user segment, each customer has different specifications and hence requires a customized approach. Besides Zinc Oxide, the company also manufactures Zinc Sulphate and allied chemicals with a capacity of ~10,080 MTPA, which is used as micronutrient fertilizer in agriculture to address zinc deficiencies in plants and soil.

High entry barriers in terms of availability of raw material to manufacture zinc oxide

The primary raw material to manufacture zinc oxide for JGCL is zinc dross/zinc scrap. Overall domestic availability of zinc scrap is less than the requirement; hence, it is imported. Zinc Scrap emanates primarily from western countries from old & established trading houses who act as aggregators having contracts with small and large galvanizers located in different countries. Traders prefer selling to large buyers (volume visibility), customers who have regular requirements and those with safety of payment. Availability of zinc scrap/zinc dross is the biggest constraint for new entrants in the market to build a global supply network. Due to the difficult sourcing pattern for this product, new players are reluctant to enter the zinc oxide business. Several zinc oxide facilities have faced supply-side constraints, due to which they have been forced to shut/curtail production. Over the years, JGCL has established a strong supply network with over 100 global suppliers. The Company maintains inventory across facilities, enabling it to blend different compositions of zinc dross.

Company employs an environmentally friendly manufacturing process

JGCL business is a prime example of the success of the circular economy model, which involves utilizing existing scrap materials (Zinc Scrap/Dross) and products efficiently through recycling and reusing. Using recycled metal instead of finite virgin ores contributes to the reduction in CO2 emission, air pollution (by 80%), water pollution (by 76%) & reduces water use (by 40%) for every unit of Zinc Oxide produced. ZnO produced from Zinc Dross, Ash & Scrap reduces the consumption of raw material inputs (Zinc metal) to manufacturing by returning recycled Zinc to the value chain. Zinc ash is converted into Zinc Sulphate using ZLD technology; Zinc Sulphate is used in agriculture, New EPR regulations bode well for JGCL since it is already using recycled RM; hence possibly there is no risk of reduction of zinc oxide in end user applications.

Financials	Revenue	EBITDA	PAT	Adj. EPS	P/E	EV/EBITDA	RoE
	₹ mn	₹ mn	₹ mn	₹	x	x	%
FY23	7,846	755	568	17.3	21.7	16.7	na
FY24	6,677	453	321	7.9	47.7	29.6	10.4%
FY25	8,479	861	668	16.3	23.0	15.9	15.2%

Source: Company, Sunidhi Research

**High Entry Barriers in key-end use industries**

The process to get customer approvals for products is lengthy and challenging, with several rounds of testing, plant visits, and audits that can take up to 4-5 years and involve significant expenditure. Hence, end-users are resistant to changing suppliers as it involves a lengthy approval process. Customers also prefer to deal with suppliers having existing relationships & track records along with scalability.

Fresh capex for a green field plant in Gujarat to diversify customer base

The company has acquired land of ~11.43 Acres in Dahej, Gujarat, at a cost of ₹ 240.5mn to expand manufacturing of Zinc Oxide and other value-added sustainable recycling product portfolio. This marks company's entry into the Western India market and is an important strategic step for the Company's growth. Capex entailment will be ~₹500-600mn (including land) and will get commissioned in H1FY27. The company will be eyeing customers in the ceramic segment situated on the western belt from this new greenfield site. Besides this, the company has also acquired a ~3-acre land in Naidupeta adjacent to existing plant for the purpose of expansion of its sustainable recycling product portfolio.

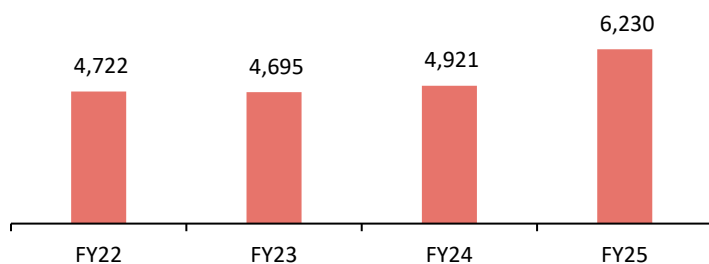
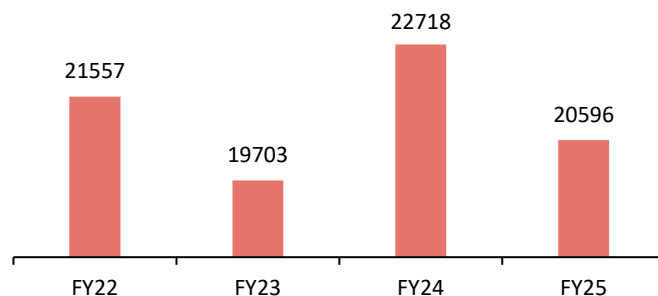
Huge Scope to gain market share in ceramic and non-rubber applications

JGCL currently generates ~85% of revenue from the rubber (tyre) segment and ~15% from other applications. The demand for zinc oxide in India in the non-rubber and non-ceramic market is just about 10% of the overall demand vis a vis about 25% globally. Over the next decade, India is expected to see very strong growth in all of these applications. Some of the applications have just started to evolve and the runway for growth in these applications is very strong as they are on a small base. The demand for some of these applications are expected to grow over ~18-20% CAGR over the next 5-7 years. Some of these applications are margin accretive and also require various certifications which are not easy for smaller players to have. Thus, JGCL being a domestic market leader has a lot of scope to gain market share in ceramic and other non-rubber applications by substituting imports and also catering to the premiumization of the Indian market with newer applications across several end user industries.

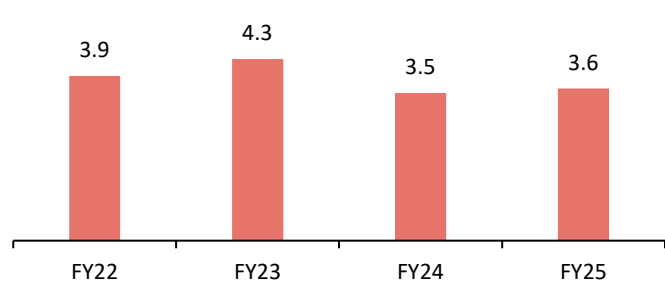
Key Risks: Delay in commissioning of projects, product concentration risk, raw material price volatility, forex risk, end use industry concentration risk.



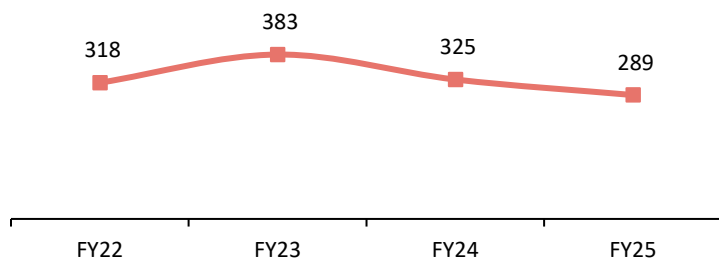
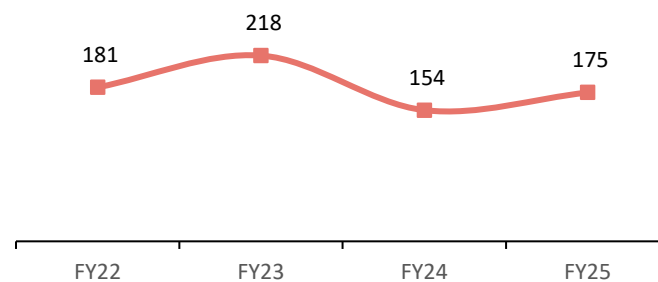
Zinc Oxide: Macro Story in Charts

Imports of Zinc Oxide in Volume terms (in MTPA)**Export of Zinc Oxide in Volume terms (in MTPA)**

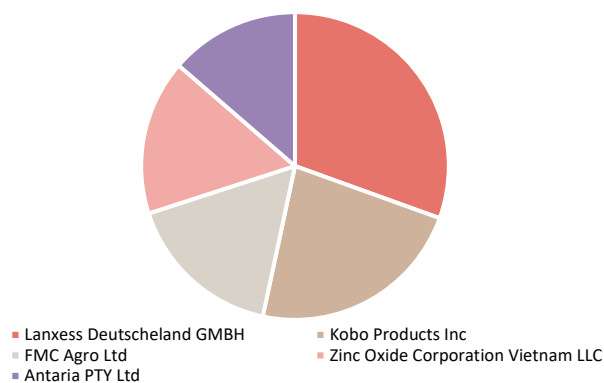
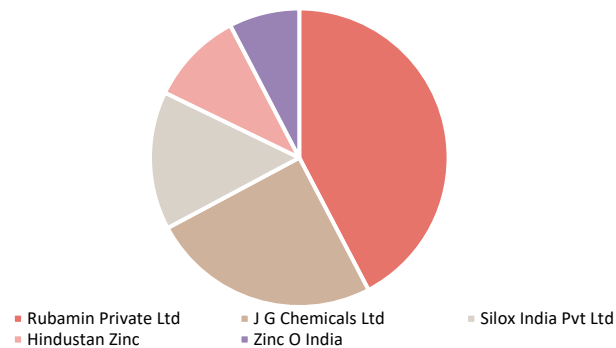
Source: Import Export Database, Sunidhi Research

Imports of Zinc Oxide in Value terms (in ₹ bn)**Exports of Zinc Oxide in Value terms (in ₹ bn) -**

Source: Import Export Database, Sunidhi Research

Import Pricing of Zinc Oxide (in ₹/kg)**Export Pricing of Zinc Oxide (in ₹/kg)**

Source: Import Export Database, Sunidhi Research

Top 5 Suppliers of Zinc Oxide in Value terms (FY25)**Top 5 Exporters of Zinc Oxide in value terms (FY25)**

Source: Import Export Database, Sunidhi Research



Marquee Clients



Source: Company Presentation, Sunidhi Research

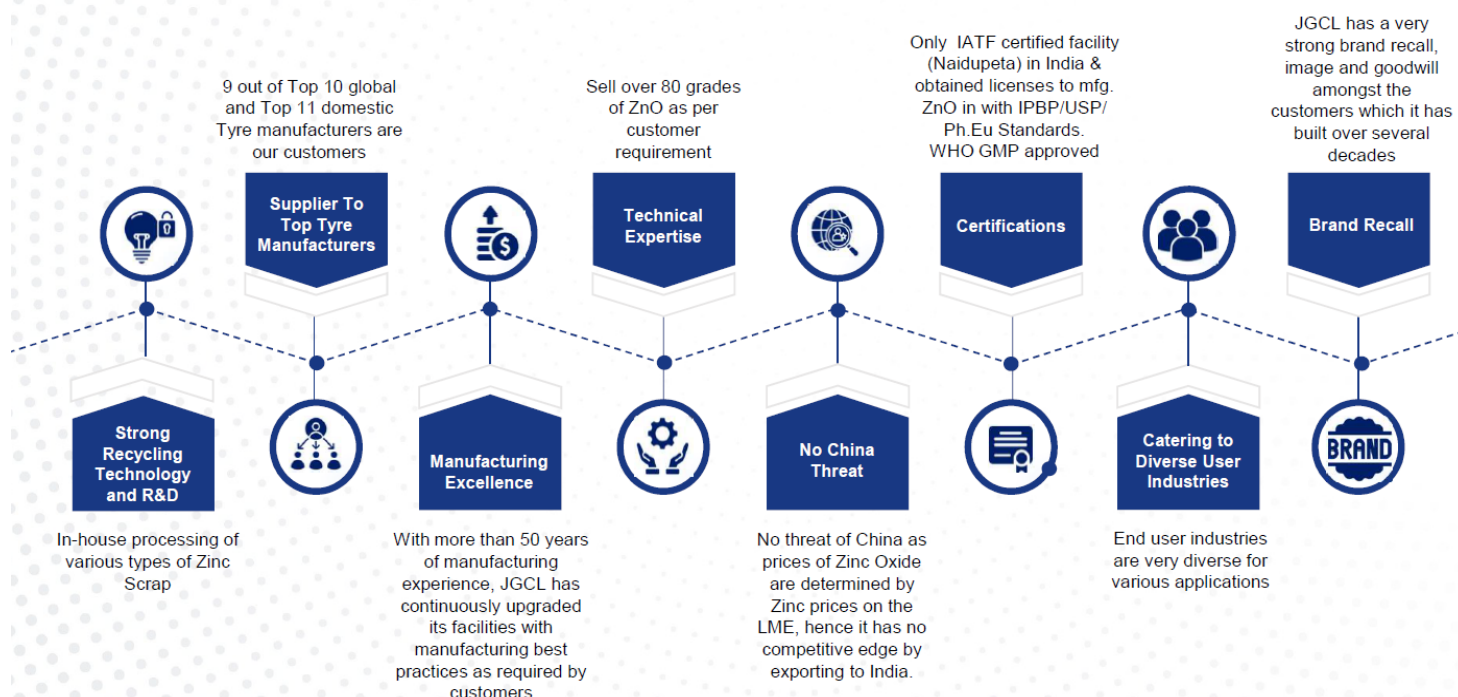
Future Growth Strategies



Source: Company Presentation, Sunidhi Research

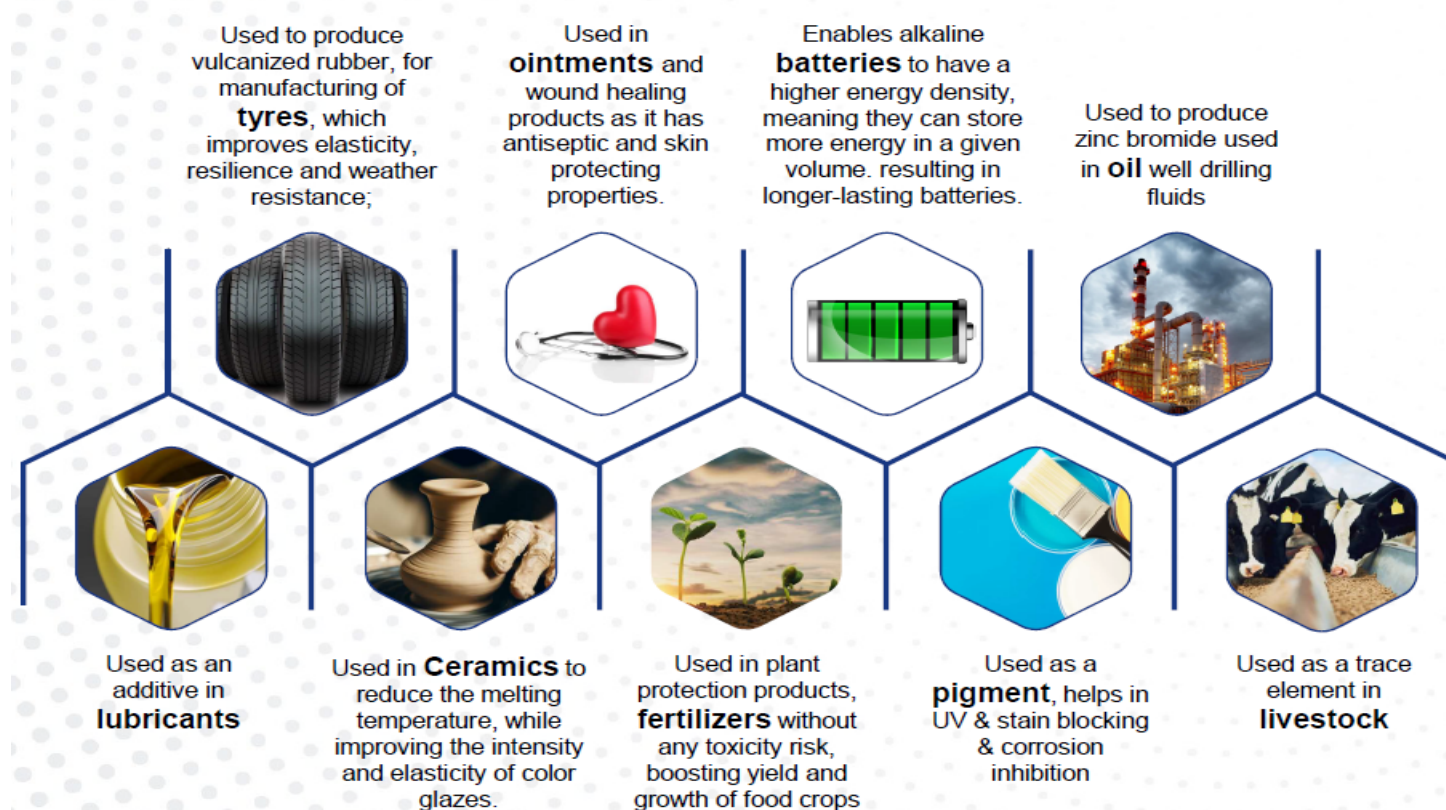


Key Strengths



Source: Company Presentation, Sunidhi Research

Application Areas



Source: Company Presentation, Sunidhi Research



Manufacturing plants



West Bengal

Plant 1: Jangalpur**Capacity:**

14,400 MTPA for Zinc Oxide

5,040 MTPA for Recycled Zinc Ingots

Plant 2: Belur**Capacity:**

1,800 MTPA for Zinc Oxide

Naidupeta,
Andhra Pradesh

The only IATF approved ZnO facility globally and also has WHO GMP certification (amongst the very few plants globally to have this).

Capacity:

43,704 MTPA for Zinc Oxide

2,016 MTPA for Recycled Zinc Ingots

10,080 MTPA for Zinc Sulphate and other allied chemicals

Source: Company Presentation, Sunidhi Research



Quarterly Performance

₹ Mn	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY (%)	QoQ (%)	FY25	FY24	YoY %
Revenue	1,814	2,025	2,121	2,091	2,243	23.6	7.3	8,479	6,677	27.0
COGS	1,444	1,590	1,679	1,638	1,831	26.8	11.8	6,738	5,496	22.6
Gross Profit	370	435	442	453	411	11.2	(9.3)	1,741	1,181	47.5
Employee Expenses	43	44	47	50	44	1.7	(11.8)	184	165	11.8
as % of sales	2.4%	2.2%	2.2%	2.4%	2.0%			2.2%	2.5%	
Other Expenses	155	167	184	173	173	11.2	0.0	696	563	23.6
as % of sales	8.6	8.2	8.7	8.3	7.7			8.2	8.4	
EBITDA (Excl OI)	171	224	211	231	195	13.6	(15.7)	861	453	90.1
Depreciation	(13)	(13)	(13)	(14)	(14)	1.9	(3.0)	(54)	(45)	18.9
Other Income	30	5	35	25	35	na	39.7	100	78	29.2
EBIT	188	216	233	242	216	15.3	(10.6)	907	485	87.0
Interest Expenses	6	4	1	3	1	(84.9)	(62.7)	8	36	(76.7)
PBT	181	212	231	240	216	18.8	(10.1)	899	449	100.2
Total Tax	(45)	(53)	(60)	(62)	(56)	24.1	(8.2)	(231)	(110)	110.5
Reported PAT	136	159	171	178	159	17.0	(10.7)	668	339	96.9
Reported EPS	3.34	3.88	4.21	4.33	3.92	17.4	(9.5)	16.34	8.94	82.8

Margins (%)						(bps)	(bps)			(bps)
Gross Margin	20.4	21.5	20.8	21.7	18.3	-205	-334	20.5	17.7	285
EBITDA	9.5	11.1	10.0	11.0	8.7	-77	-236	10.2	6.8	337
EBIT	10.4	10.7	11.0	11.6	9.7	-70	-193	10.7	7.3	343
EBT	10.0	10.5	10.9	11.5	9.6	-40	-185	10.6	6.7	388
PAT	7.5	7.9	8.1	8.5	7.1	-41	-143	7.9	5.1	279
Effective Tax Rate	25.1	25.1	25.9	25.7	26.2	113	52	25.7	24.5	125

Source: Company, Sunidhi Research



Financial Snapshot

Valuations & Ratios		(Rs. Mn)		
Year End-March	FY23	FY24	FY25	
Data Per Share				
EPS	17.3	7.9	16.3	
CEPS	19.0	9.3	18.4	
BVPS	67.3	103.5	121.1	
DPS	-	-	-	
Valuation (x)				
P/E	21.7	47.7	23.0	
P/BV	5.6	3.6	3.1	
EV/EBITDA	16.7	29.6	15.9	
Dividend yield (%)	0.0%	0.0%	0.0%	
EBITDA Margin	9.6%	6.8%	10.2%	
PAT Margin	7.2%	4.8%	7.8%	
ROAE	na	10.4%	15.2%	
ROACE	na	11.9%	19.1%	
Leverage Ratios (x)				
Total D/E	0.3	0.0	0.0	
Net Debt/Equity	0.3	(0.3)	(0.2)	
Interest Coverage	16.4	13.4	107.0	
Current ratio	3.3	10.0	19.9	
Growth Ratios (%)				
Topline growth	na	(14.9%)	27.0%	
EBITDA growth	na	(40.0%)	90.1%	
PAT growth	na	-43.5%	107.9%	
Turnover Ratios (x)				
F.A Turnover	21.7	16.0	21.2	
Working Capital Days	98	90	102	
Inventory Days	48	30	48	
Debtors Days	54	64	61	
Payable days	4	4	7	
Profit & Loss Statement		(Rs. Mn)		
Year End-March	FY23	FY24	FY25	
Revenues	7,846	6,677	8,479	
Op. Expenses	7,091	6,224	7,618	
EBITDA	755	453	861	
Other Income	96	78	100	
Depreciation	34	45	54	
EBIT	817	485	907	
Interest	50	36	8	
Exceptional Item	-	18	-	
PBT	767	431	899	
Tax	199	110	231	
Reported PAT	568	321	668	
PAT	568	321	668	
EPS	17.3	7.9	16.3	

Source: Sunidhi Research

Balance Sheet		(Rs. Mn)		
Year End-March	FY23	FY24	FY25	
Equity and Liabilities				
Share Capital	317	392	392	
Reserves and Surplus	1,818	3,663	4,354	
Total Shareholders' funds	2,135	4,055	4,746	
Long Term Borrowings	67	36	0	
Long Term Liab/ Provisions	3	4	4	
Other Non-current Liabilities	6	-	5	
Current Liabilities				
Short Term Borrowings	636	102	2	
Trade Payables	84	82	166	
Other CL/Short Term Prov.	47	211	56	
Grand Total	2,978	4,490	4,979	
Assets				
Non-Current Assets				
Fixed Assets	362	417	400	
Goodwill / Intangible	0	0	0	
Other Non-current Assets	53	134	139	
Current Assets				
Inventories	1,038	557	1,114	
Trade Receivables	1,156	1,167	1,419	
Cash and Cash Equivalents	35	467	314	
Bank	13	1,000	740	
Short Term Loans and Advance	18	-	-	
Other Current Assets	302	748	854	
Grand Total	2,978	4,490	4,979	
Cash flow Statement				
Year End-March	FY23	FY24	FY25	
PBT	767	449	899	
Depreciation	34	45	54	
Interest (Net)	50	36	8	
Others	(13)	(16)	(107)	
OCF before Working Capital	839	515	854	
Inc/dec in Working Capital	(356)	484	(730)	
Inc/dec in other items	25	(116)	(9)	
Taxes paid	(195)	(123)	(227)	
Net CF From Operations	312	760	(112)	
Capex	(99)	(95)	(47)	
Other Income				
Others	50	(1,304)	295	
CF from Investing Activities	(49)	(1,399)	248	
Change in Equity	-	1,522	-	
Change in Borrowings	(236)	(566)	(136)	
Interest Paid	(50)	(38)	(9)	
Other Income				
Others	-	152	(144)	
CF from Fin Activities	(286)	1,070	(289)	
Net inc /(dec) in cash	(23)	431	(153)	
Opening Cash	59	35	467	
Closing Cash	35	467	314	



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Date : 05-06-2025

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The price target for a **large cap stock** represents the value the analyst expects the stock to reach over next 12 months. For a stock to be classified as **Outperform**, the expected return must exceed the local risk free return by at least 5% over the next 12 months. For a stock to be classified as **Underperform**, the stock return must be below the local risk free return by at least 5% over the next 12 months. Stocks between these bands are classified as **Neutral**.

(For Mid & Small cap stocks from 12 months perspective)

BUY Absolute Return >20%

HOLD Absolute Return Between 0-20%

SELL Absolute Return Negative

Apart from Absolute returns our rating for a stock would also include subjective factors like macro environment, outlook of the industry in which the company is operating, growth expectations from the company vis a vis its peers, scope for P/E re-rating/de-rating for the broader market and the company in specific.

Sunidhi Securities & Finance Ltd.

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