

Bhagyanagar India Limited (Revised)

March 11, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE BBB; Stable and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A3+ and Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Ltd. has withdrawn the outstanding ratings of 'CARE BBB; Stable/CARE A3+' assigned to the bank facilities of Bhagyanagar India Limited (BIL) with immediate effect. The above action has been taken at the request of Bhagyanagar India Limited and 'No Objection Certificate' received from the bank(s) that have extended the facilities rated by CARE Ratings Ltd.

Analytical approach: Consolidated

CARE has analysed the consolidated financials of Bhagyanagar India Limited and its 100% owned subsidiary, Bhagyanagar Copper Private Limited while arriving at the ratings of Bhagyanagar India Limited.

Outlook: Stable

The rating outlook "Stable" indicates the expected sustenance of BIL's scale of operations and experienced promoters in the Ferrous and Non-Ferrous metal industry. CARE Ratings also believes that the company shall sustain its average financial risk profile over the medium term.

Detailed description of the key rating drivers:

Key strengths

Established group with vast experience of promoters: Founded in 1978, the Surana Group is a Hyderabad based well diversified business conglomerate with a focus on areas of Telecommunications, Copper rods, Copper Pipes, Copper Sheets, Copper Foils and Power Cables, Wind Power, and Solar Power generation. Bhagyanagar India Limited (BIL) was founded by Mr. G M Surana in 1985 and is the Chairman and head of the Surana Group of companies based out of Hyderabad. He is a graduate of Commerce and Law from Osmania University having about two decades of experience in the Ferrous and Non-Ferrous metal industry. The business operations are well supported by a team of qualified professionals.

Improved scale of operations in FY23: The total operating income of the company increased from Rs. 1573.63 crore in FY22 to Rs. 1846.59 crore in FY23 registering y-o-y growth of 17% on account of increase in the prices of the copper (raw material). BIL derived 99% of the revenue from the copper division. BIL also operates a wind power plant in Karnataka State. BIL has entered into Power Purchase Agreement (PPA) for the entire capacity for a period of 20 years (valid through 2026) with Hubli Electricity Supply Company Limited (HESCOM) and Gulbarga Electricity Supply Company Limited (GESCOM) at a fixed tariff rate of Rs.3.40 per unit.

BCPL diversified its operations to the export market as well and derived around 17% of consolidated revenue from export sales. Export sales declined during FY23 on account of lower demand.

In 9MFY24, BILs TOI moderated to Rs.1021.05 crore, declined by ~14% compared to the corresponding period of the previous year.

Comfortable operating cycle: The operating cycle of the company slightly increased however remains comfortable at 40 days in FY23 compared to 36 days in FY22 on account of higher inventory days. The inventory level was high during FY23 on account of the purchase of inventory in bulk by the company as the raw material was available at lower prices.

Key weaknesses

Volatile raw material prices result in thin profitability: The primary raw materials for the company are copper scrap. Copper scrap contributes around 90% of the total raw material cost consumed during the past three years ended FY22, the scrap is purchased at the prevailing market rate depending on the quality of scrap. Copper prices are highly volatile and depend on several international economic parameters. The profitability of the company is impacted due to fluctuations in raw material prices. To manage this volatility, the company generally keeps adequate stock of raw materials at the perceived lowest prices during a

period to ensure stable profitability margins. Also, the company operates in a competitive industry which imposes further pressure on its profitability margins. The PBILDT margin of the company continues to remain thin at 1.88% in FY23 (PY:1.92%). The PAT margin declined from 0.70% in FY22 to 0.55% in FY23.

Moderate capital structure and coverage indicators: The capital structure of the company remained moderate as on March 31, 2023. The overall gearing ratio deteriorated from 1.30x as on March 31, 2022, to 1.49x as on March 31, 2023, on account of higher outstanding working capital bank borrowings as on the closing balance sheet dated March 31, 2023, coupled with an increase in unsecured loans. The coverage ratio of the company deteriorated with total debt/GCA to 13.11x in FY23 compared to 11.37x in FY22 and PBILDT interest coverage ratio to 1.49x in FY23 (PY:2.55x) on account of higher interest expenses.

Forex Risk; albeit hedge exists: BIL imported around 25% of raw materials and have export sales of 17% in FY23 which exposes it to forex fluctuation risk. Nevertheless, the company has a robust framework in place to protect its interest from risks arising out of market volatility. Almost 50% to 60% of the inventory is always hedged on the MCX thereby insulating it from any volatility risk.

Liquidity: Adequate

Liquidity is marked by adequate accruals to meet its debt obligation along with cash and cash equivalents to the tune of Rs.24.99 crore (including Rs. 15.59 crore as margin money) as on FY23. The liquidity is supported by the above unity current ratio at 1.49x.

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Non Ferrous Metal](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Consolidation](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Commodities	Metals & Mining	Non - Ferrous Metals	Copper

Bhagyanagar India Limited (BIL) incorporated in 1985 is the flagship company of the Hyderabad -based Surana Group promoted by Mr. G M Surana and is listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). The company is engaged in the business of manufacturing a wide range of copper products with an installed capacity of 15,000 MT per annum. The company caters to various Original Equipment Manufacturers (OEMs) and players in the auto components industry. The products manufactured by BIL find applications in telecommunications, power & distribution, low-range transformers, solar panels and auto ancillaries among others.

Brief Financials (₹ crore) (Consolidated)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	1573.63	1846.59	1021.05
PBILDT	30.16	34.70	23.03
PAT	11.08	10.13	43.28*
Overall gearing (times)	1.30	1.49	NA
Interest coverage (times)	2.55	1.49	2.20

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'; NA: Not available

Brief Financials (₹ crore) (Standalone)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	1090.73	1387.01	725.18
PBILDT	14.52	18.68	9.58
PAT	4.34	6.10	39.30*
Overall gearing (times)	0.78	0.87	NA
Interest coverage (times)	2.12	2.14	1.86

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'; NA: Not available

*Includes income from sale of land

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn
Fund-based - ST-Line of Credit		-	-	-	0.00	Withdrawn
Fund-based - ST-Standby Line of Credit		-	-	-	0.00	Withdrawn
Non-fund-based - ST-Working Capital Limits		-	-	-	0.00	Withdrawn

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BBB; Stable (06-Jan-23)	1)CARE BBB; Stable (03-Dec-21) 2)CARE BBB; Stable (08-Nov-21) 3)CARE BBB; Stable (06-May-21)	1)CARE BBB; Stable (28-Dec-20)
2	Fund-based - ST- Standby Line of Credit	ST	-	-	-	1)CARE A3+ (06-Jan-23)	1)CARE A3+ (03-Dec-21) 2)CARE A3+ (08-Nov-21) 3)CARE A3+ (06-May-21)	1)CARE A3+ (28-Dec-20)
3	Fund-based - ST-Line of Credit	ST	-	-	-	1)CARE A3+ (06-Jan-23)	1)CARE A3+ (03-Dec-21) 2)CARE A3+ (08-Nov-21) 3)CARE A3+ (06-May-21)	1)CARE A3+ (28-Dec-20)
4	Non-fund-based - ST-Letter of credit	ST	-	-	-	-	1)Withdrawn (08-Nov-21) 2)CARE A3+ (06-May-21)	1)CARE A3+ (28-Dec-20)
5	Non-fund-based - ST-Working Capital Limits	ST	-	-	-	1)CARE A3+ (06-Jan-23)	1)CARE A3+ (03-Dec-21) 2)CARE A3+ (08-Nov-21) 3)CARE A3+ (06-May-21)	1)CARE A3+ (28-Dec-20)
6	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (06-Jan-23)	1)CARE BBB; Stable (03-Dec-21)	-

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - ST-Line of Credit	Simple
3	Fund-based - ST-Standby Line of Credit	Simple
4	Non-fund-based - ST-Working Capital Limits	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of all the entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Bhagyanagar Copper Private Limited	Full	Wholly owned subsidiary

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

<p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Saikat Roy Senior Director CARE Ratings Limited Phone: 91 22 6754 3404 E-mail: saikat.roy@careedge.in</p>	<p>Analytical Contacts</p> <p>Karthik Raj K Director CARE Ratings Limited Phone: +91-80-4662-5555 E-mail: karthik.raj@careedge.in</p> <p>Y Tejeshwar Reddy Assistant Director CARE Ratings Limited Phone: +91-040 4010 2030 E-mail: Tejeshwar.Reddy@careedge.in</p> <p>Pooja Tripathi Lead Analyst CARE Ratings Limited E-mail: Pooja.Tripathi@careedge.in</p>
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About us:

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