

Bhagyanagar Copper Private Limited

September 27, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	49.57	CARE BB+; Stable; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category and Downgraded from CARE BBB; Stable
Short Term Bank Facilities	17.00	CARE A4+; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category and Downgraded from CARE A3+

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. had, vide its press release dated April 03, 2024, placed the ratings of Bhagyanagar Copper Private Limited (BCPL) under the 'issuer non-cooperating' category as the company had failed to provide information for monitoring of the rating. Innovare Labs Private Limited continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls dated August 28, 2024, to September 16, 2024. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on bank facilities will now be denoted as CARE BB+; Stable; ISSUER NOT COOPERATING*/CARE A4+; ISSUER NOT COOPERATING*.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The ratings have been revised on account of non-availability of requisite information

Analytical approach: Standalone (however, ratings have been notched up by factoring parent linkages with Bhagyanagar India Limited).

Outlook: Stable. The 'Stable' outlook on the ratings of BCPL reflects CARE's expectation of improvement in financial performance and sustained financial risk profile in the medium term with no significant debt envisaged for the projected period.

Detailed description of key rating drivers:

At the time of last rating on April 03, 2024, the following were the rating strengths and weaknesses (updated for the information available from the stock exchange as BCPL is wholly owned subsidiary of Bhagyanagar India Limited (BIL) listed on BSE)

Key weaknesses

Leveraged capital structure and coverage indicators: The capital structure of the company marked by overall gearing ratio further deteriorate to 4.74x as on March 31, 2024 as against 3.53x on March 31, 2023. The total debt of the company consists of term loans, unsecured loans from parent company and related parties and working capital borrowings. The debt significantly increased from Rs. 116.10 crores as of March 31, 2023 to Rs. 216.82 crores as of March 31, 2024, primarily due to substantial increase in unsecured loans received from parent company BIL. In January 2024, Bhagyanagar India Limited (BIL) transferred copper business to BCPL through a slump sale for consideration of Rs. 60.05 crores. This consideration is paid in the form of Optionally convertible preference shares of Rs. 16.44 crores and remaining amount as long term unsecured loans from parent company. Additionally, the increase in business operations led to rise in unsecured loans from parent resulted in high debt levels.

Other debt coverage indicators of the company marked by TD/GCA and PBILDT/Interest coverage ratio remained weak at 20.07x and 2.28x in FY24 against 15.17x and 2.17x respectively in FY23.

Volatile raw material prices: 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 FY24, 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.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Fragmented and competitive nature of industry: The industry for metal products is highly fragmented with large number of local unorganized and organized players in the market. Copper is part of metal industry which is cyclical in nature and is sensitive to the shifting business cycles including changes in the general economy, interest rates and seasonal changes in the demand and supply. The producers of metal construction materials are essentially price-takers in the market, which directly expose their cash flows and profitability to volatility in the metal prices. Hence, the margins continue to remain under pressure due to fragmentation and low bargaining power across the industry.

Key strengths

Established group with vast experience of promoters and established brand name: 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) which is the flagship company 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. Being one of the oldest copper product manufacturing companies with over four decades of experience, BCPL has been able to establish itself as one of the leading players in copper products due to which the company is successful in developing long-term relationships with major players in automobile and electrical segments.

Satisfactory financial performance in FY24: In FY24, BCPL has recorded TOI of Rs. 859.59 crores with y-o-y growth by 67% primarily on account of transfer of copper business by its parent company BIL to BCPL in January 2024. Inline with TOI, PBILDT and PAT levels of the company improved to Rs. 22.09 crores and Rs. 6.48 crores respectively.

Comfortable operating cycle: The operating cycle of the company elongated but remained comfortable at 48 days (PY: 36 days) at the back of satisfactory collection and inventory of 24 days and 30 days in FY24. The company receives the payment from its customers within 30 days and makes the payment to its customers within a week.

Stable industry outlook: The global refined copper production is expected to reach 27.61 million tonnes in 2025, growing at a CAGR of 2.94%, for the period 2021-2025. Factors such as rising copper annual capacity in renewable energy, growing use of copper in smart home appliances, expansion of the construction industry, increasing manufacturing of electrical equipment and growth in scrap copper supply would drive the growth of the industry. Copper is considered an important element of economic growth worldwide. An increase in the price of copper is an indication that the global economy is recovering from the COVID-19 disruption. Copper is outperforming other base metals such as aluminium and zinc due to its high demand for industrial applications, which is contributing to the growth of the global copper market.

Liquidity: Adequate. Liquidity of BCPL is adequate marked by gross cash accruals of Rs.10.80 crore against the repayment obligation of Rs. 2.25 crore for FY24. As on March 31, 2024, BCPL has free cash and bank balance of Rs. 1.96 crores. Further, Cash flow from operations stood negative but same has been met through support from parent company i.e., in the form of unsecured loans to meet the working capital requirements in FY24.

Assumptions/Covenants: Not applicable

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

Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Non Ferrous Metal](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-Financial Sector](#)

[Notching by factoring Linkages in rating](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals & Mining	Non - Ferrous Metals	Copper

About the company - Bhagyanagar Copper Private Limited:

Bhagyanagar Copper Private Limited (BCPL; erstwhile Aanvik Mercantile Private Limited (AMPL)) was incorporated in April 2008. 100% holding of BCPL was acquired by Bhagyanagar India Limited (BIL) in February 2018. Under BCPL, the group has set up a copper plant with a capacity utilization of 9000 MTPA and started full fledged operations from September 2019 onwards.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	512.39	859.59
PBILDT	16.15	22.09
PAT	4.03	6.38
Overall gearing (times)	3.53	4.74
Interest coverage (times)	2.17	2.28

A: Audited; Note: these are latest available financial results

About the Parent – Bhagyanagar India Limited:

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.

Consolidated:

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	1846.59	1430.72
PBILDT	34.70	31.83
PAT	10.13	45.72*
Overall gearing (times)	1.49	0.52
Interest coverage (times)	2.28	2.37

A: Audited; Note: 'the above results are latest financial results 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: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	43.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	June 2025	6.57	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - ST-Line of Credit		-	-	-	7.00	CARE A4+; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit		-	-	-	10.00	CARE A4+; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	6.57	CARE BB+; Stable; ISSUER NOT COOPERATING *	1)CARE BBB; Stable; ISSUER NOT COOPERATING * (03-Apr-24)	-	1)CARE BBB; Stable (06-Jan-23)	1)CARE BBB (CE); Stable (03-Dec-21) 2)CARE BBB (CE); Stable (08-Nov-21)
2	Non-fund-based - ST-Letter of credit	ST	10.00	CARE A4+; ISSUER NOT COOPERATING *	1)CARE A3+; ISSUER NOT COOPERATING * (03-Apr-24)	-	1)CARE A3+ (06-Jan-23)	1)CARE A3+ (CE) (03-Dec-21) 2)CARE A3+ (CE) (08-Nov-21)
3	Un Supported Rating-Un Supported Rating (LT/ST)	LT/ST	-	-	-	-	1)Withdrawn (06-Jan-23)	1)CARE BB+ / CARE A4+ (03-Dec-21)

								2)CARE BB+ / CARE A4+ (08-Nov-21)
4	Fund-based - LT-Cash Credit	LT	43.00	CARE BB+; Stable; ISSUER NOT COOPERATING *	1)CARE BBB; Stable; ISSUER NOT COOPERATING * (03-Apr-24)	-	1)CARE BBB; Stable (06-Jan-23)	1)CARE BBB (CE); Stable (03-Dec-21) 2)CARE BBB (CE); Stable (08-Nov-21)
5	Fund-based - ST-Line of Credit	ST	7.00	CARE A4+; ISSUER NOT COOPERATING *	1)CARE A3+; ISSUER NOT COOPERATING * (03-Apr-24)	-	1)CARE A3+ (06-Jan-23)	1)CARE A3+ (CE) (03-Dec-21)

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-Line of Credit	Simple
4	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

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

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

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About us:

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