

AUGUST 11, 2016

CARE ASSIGNS 'CARE BBB' RATING TO THE BANK FACILITIES OF BHAGERIA INDUSTRIES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities (Proposed Term Loan)	65	CARE BBB (Triple B)	Assigned
Total Facilities	65 (Rupees Sixty-Five Crore Only)		

Rating Rationale

The rating assigned to the bank facilities of Bhageria Industries Limited (BIL) takes into account rich experience of the promoter in the dyes and pigment segment and their diversified clientele base. The rating also factors in healthy operating margin and comfortable capital structure of the company along with strong debt coverage indicators, short operating cycle and healthy liquidity position.

However the rating strengths are constrained by project execution risk albeit long term arrangement for off take and low counterparty risk for the solar power project, decline in operating income in FY16 (refers to the period April 1 to March 31) and susceptibility to volatile raw material prices and exchange rate fluctuations.

Timely completion of the project with envisaged cost and maintaining healthy capital structure will remain the key sensitivity.

Background

BIL, formerly known as Bhageria Dye Chem Limited was established in 1989 to manufacture chemicals, dye and dye-intermediaries. The company commenced its operations by setting up a vinyl sulphone plant at Vapi, Gujarat with capacity of 540 tpa (tonnes per annum) which has now expanded to 3,600 tpa. For H-acid and Gamma acid, the company depends on job work. The company is also engaged in trading of agro chemicals, pigments, and various pharmaceutical ingredients.

The company has also ventured into the solar power segment. Currently, BIL has almost 2.78 MW operational solar rooftop projects majorly located in Chennai. Apart from this, recently, the company has been awarded an order for 39 MW Solar Power Project by Solar Energy Corporation of India (SECI). The company will install this plant at Ahmednagar, Maharashtra with power purchase agreement (PPA) tenure with SECI for 25 years for a fixed tariff of Rs.4.41/unit. The commissioning of the project is expected to be in January 2017. The capital outgo for the project is expected to be Rs.189.54 crore of which Rs.130 crore would be through bank term loan and the remaining via internal accrual.

During FY16, BIL reported PAT of Rs.15.34 crore on a total operating income of Rs.239.48 crore.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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