NOVEMBER 30, 2016

CARE ASSIGNS/REAFFIRMS 'CARE BBB' AND ASSIGNS 'CARE A3+' RATINGS TO THE BANK FACILITIES OF BHAGERIA INDUSTRIES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Bank Facilities-Fund-based – LT	6.42	CARE BBB (Triple B)	Assigned
Bank Facilities-Fund-based – LT	105.00	CARE BBB (Triple B)	Reaffirmed
Bank Facilities-Fund-based – ST	40.58	CARE A3+ (A Three Plus)	Assigned
Bank Facilities-Non-fund-based – ST	8.00	CARE A3+ (A Three Plus)	Assigned
Total Facilities	**160.00 (Rupees One Hundred and Sixty Crore Only)**		

Rating Rationale

The rating assigned to the bank facilities of Bhageria Industries Limited (BIL) continues to take into account rich experience of the promoter in the dyes and pigment segment, diversified clientele base and short operating cycle in FY16 (refers to the period April 01 to March 31). Furthermore, the rating factors in the strengthened financial profile of the company characterised by healthy operating margin, comfortable capital structure along with strong debt coverage indicators, healthy liquidity position and growth in operations in H1FY17 (refers to the period April 01 to September 30).

However, the rating strengths continued to be constrained by the likely deterioration in gearing levels owing to BIL's plans to undertake largely debt funded capex, its exposure to project execution risk, susceptibility of profitability margins to volatile raw material prices and exchange rate fluctuations.

Ability of BIL to successfully implement its proposed debt funded capex without any cost and time over run along with fruitful completion of amalgamation of its group associate with itself without adversely impacting the revenues, profitability and capital structure as envisaged will remain the key sensitivities.

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 March 2017. The capital outgo for the project has been revised to

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

Rs.170.00 crore from earlier Rs.189.54 crore earlier; of which Rs.112.00 crore would be through bank debt and the remaining via internal accrual. As per press release dated November 14, 2016, the Board of Directors of BIL have approved the amalgamation of Nipur Chemicals Ltd (NCL), a group associate, engaged in similar line of business with the company. However, the proposal is subject to approval of shareholders, lenders/creditors, court of law and regulatory authorities.

During FY16, BIL reported PAT of Rs.15.34 crore on a total operating income of Rs.239.48 crore. During H1FY17, the company reported PAT of Rs.26.66 crore on a total operating income of Rs.179.16 crore.

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

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