No. CARE/HO/RL/2022-23/1070

Shri Suresh Keshavdeo Bhageria
Chairman
Bhageria Industries Limited
1002, Topiwala Centre, Off S. V. Road,
Goregaon West Mumbai
Mumbai
Maharashtra 400062.

April 11, 2022

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your Company for FY21 (Audited) and 9MFY22 (Unaudited), our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating	Rating Action
Long Term / Short Term Bank Facilities	**76.00**	**CARE A+; Stable / CARE A1+ (Single A Plus ; Outlook: Stable / A One Plus)**	**Revised from CARE A; Stable / CARE A1 (Single A ; Outlook: Stable / A One)**
Total Facilities	**76.00 (Rs. Seventy-Six Crore Only)**		

2. Refer **Annexure 1** for details of rated facilities.

3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure 2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by 12.04.2022, we will proceed on the basis that you have no any comments to offer.

4. CARE Ratings Ltd. reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.

5. CARE Ratings Ltd. reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE Ratings Ltd. warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE Ratings Ltd. so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE Ratings Ltd. shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE Ratings Ltd. shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.

6. Our ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.

7. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

8. Users of this rating may kindly refer our website www.careedge.in for latest update on the outstanding rating.

9. CARE Ratings Ltd. ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

[1]Complete definitions of the ratings assigned are available at and in other CARE Ratings Ltd.'s publications.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,
Yours faithfully,

Dishank

Vikash Agarwal

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Encl.: As above

Annexure 1

Details of Rated Facilities

1. Long Term / Short Term Facilities

1.A. Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Debt Repayment Terms	Remarks
1.	Axis Bank Ltd.	30.00	Repayable on demand	Cash Credit - Rs.30 crore; {WCDL/FCDL (Sublimit of CC) - Rs.30 crore; EPC/PCFC (Sublimit of CC) - Rs.30 crore; PSC/FBP/FBD/PSFC/EBRD (Sublimit of CC) - Rs.30 crore; IBP/IBD (Sublimit of CC) - Rs.30 crore}
2.	Yes Bank Ltd.	30.00	Revolving Facility	Pre-Shipment Credit - Rs.30 crore; {Post-Shpment Credit (Sublimit of PSC) - Rs.30 crore; Cash Credit (Sublimit of PSC) - Rs.30 crore; Financial Bank Guarantee (Sublimit of PSC) - Rs.30 crore; Import Finance (Sublimit of PSC) - Rs. 30 crore; Working Capital Demand Loan (Sublimit of PSC) - Rs.30 crore; Letter of Credit Sight (Import & Inland) (Sublimit of PSC) - Rs.30 crore; Letter of Credit (Import & Inland) Usance (Sublimit of PSC) - Rs.30 crore; Bank Guarantee (Performance/Financial) (Sublimit of PSC) - Rs.30 crore}
3.	Kotak Mahindra Bank Ltd.	15.00		Working Capital Limits - Rs.15 crore; {Cash Credit (Sublimit of Working Capital Limits) - Rs.15 crore; WCDL (Sublimit of Working Capital Limits) - Rs.15 crore; EPC/PCFC (Sublimit of Working Capital Limits) - Rs.15 crore; FBP/FBD/FBN (Sublimit of Working Capital Limits) - Rs.15 crore; LCBD Sales (Sublimit of Working Capital Limits) - Rs12 crore}
	Total	**75.00**		

1.B. Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Debt Repayment Terms	Remarks
1.	Proposed	1.00	Not Applicable	Proposed Facility
	Total	**1.00**		

Total Long Term / Short Term Facilities : Rs.76.00 crore

Total Facilities (1.A+1.B) : Rs.76.00 crore

Annexure – 2
Press Release

Bhageria Industries Limited

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[2]	Rating Action
Long Term / Short Term Bank Facilities	76.00	CARE A+; Stable / CARE A1+ (Single A Plus; Outlook: Stable/ A One Plus)	Revised from CARE A; Stable / CARE A1 (Single A; Outlook: Stable / A One)
Total Bank Facilities	**76.00 (Rs. Seventy-Six Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to bank facilities of Bhageria Industries Limited (BIL) factors in the healthy business and financial risk profile of the company which is expected to sustain over the medium term. The healthy business risk profile is supported by the revenue diversity and healthy growth in revenue momentum owing to increase in volumes across its products coupled with sustenance of healthy operating margins leading to higher cash accruals during 9MFY22 (refers to April 01 to December 31) vis- a-vis 9MFY21.

CARE believes, going forward, BIL would be able to sustain the momentum growth in its chemical division on back of improved product mix because of backward integration and introduction of products undertaken by the company in the recent past like Sulphuric Acid 98 % and Sulpho Tobias Acid apart from its earlier product like H-Acid, Vinyl Sulphone and Gamma Acid which continues to contribute to the increasing turnover.

Furthermore, the ratings continue to derive strength from the experience of management and long-standing track record of BIL in chemical business and its long-term relationship with some of the reputed clientele and diversified revenue profile in terms of product mix. Ratings also derives comfort from long term Power Purchase Agreement signed for its solar power sale with a strong counterparty. Besides, the rating also derives comfort from the healthy financial risk profile characterised by large networth base, low leverage and healthy debt coverage indicators along with prudent working capital cycle and adequate liquidity position.

The ratings however continue to be tempered by the company's moderate scale of operations with dependence on end user Industry, susceptibility of its operation to changes in environmental regulations, susceptibility of its operating profit margins to volatility associated with key raw materials and finished good prices along with foreign exchange fluctuation risk. The ratings also continue to factor in the risk of implementation and stabilization of the ongoing project and risk associated with adaptation of stringent environmental control norms from government. Successful completion of internal accrual funded the ongoing capex within the envisaged time and cost parameters would be key rating monitorable.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Growth in scale of operations marked by TOI of around Rs. 1,500 crores backed with diversified product mix
- Increase in PBILDT margin to around 30% on a sustained basis.
- Sustenance of healthy financial risk profile and liquidity through prudent capex spends and working capital management.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Significant moderation in revenues with operating margin to around 19%
- Larger than anticipated debt-funded capex or leveraged acquisition, leading to sustained and major deterioration in its leverage to above 0.75x or debt coverage indicators or significant stretch in working capital cycle.
- Any adverse change in government policy or regulatory related issues significantly affecting the operations of BIL.

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

Detailed description of the key rating drivers

Key Rating Strengths

Extensive experience of promoters in dyestuff industry and their long-standing relationship with reputed clientele; moderate customer concentration

BIL incorporated in 1989, is promoted by Mr. Suresh Bhageria and Mr. Vinod Bhageria, who have over three decades of experience in dyes & dyes intermediates industry. Furthermore, BIL has a qualified management team comprising of industry personnel with over decades of relevant experience in the chemical Industry. The clientele includes some of the reputed domestic and global companies namely Everlight Chemical Industrial Corporation, Huntsman International (India) Pvt. Ltd etc. As a result of long-standing experience as well as consistency in supply BIL has been able to garner repeat orders from its existing clientele at the same time also has added some large export customers in the past. BIL has moderate customer concentration whereby its top ten customer contribute around 55-60% of its total revenue from chemical division.

Well-established backward integrated manufacturing operations

The operations of BIL are backward integrated with in-house manufacturing of most of its key dye intermediates. In dye intermediate segment, manufacturing capacity mainly comprises Vinyl Sulphone (VS) of 3,000 MTPA, H-acid of 3,000 MTPA and as a backward integration measure, BIL has setup a capacity to manufacture Sulphuric Acid (300 Tonnes Per Day). Further the company expanded in dye intermediates with capacity of 4,500 MTPA for manufacturing of J-Acid and Tobias Acid for which commercial operations commenced from May 27, 2021. Thus, with the introduction of new product to the portfolio the product mix or revenue diversity of the company has improved.

Growth in revenues coupled with healthy operating margins, supported by diversified product mix

BIL has a well-diversified customer base with long standing relationship with many of them. There has been consistent growth in its sales volume. Due to Covid-19 pandemic, company's sales volume had declined mainly during Q1FY21. The scale of operations of the company had remained subdued on y-o-y basis in FY21. However, the company witnessed healthy recovery in demand and during 9MFY22 the revenue increased significantly as the company reported Total Operating Income in 9MFY22 was Rs.418.56 crore as against Rs. 270.70 crore in 9MFY21 with a growth rate of around 55% on a y-o-y basis due to pick up in demand from the textile sector led by recovery due to easing of restrictions and increase in the pace of vaccinations.

BIL's operating margins continued to remain at healthy levels during the past four years ended as on March 31, 2021. BIL's operating margins continued to remain at healthy levels recorded at 26.64% in FY21 (PY: 24.55%). BIL also reported healthy Gross Cash Accruals (GCA) to Rs 82.30 crores (PY: Rs 81.71 crores). PBILDT Margin for 9MFY21 was 27.77% which has been reduced to 22.04% in 9MFY22. The main reason for moderation in margin is owing to increase in energy consumption prices and transportation charges. Despite moderation in the operating margin, the company has generated Gross Cash Accruals of Rs. 70.33 crore in 9MFY22 as compared to Rs. 58.89 crore in 9MFY21 due to improvement in the volume sold as well as improvement in price realisations. PAT margin has remained healthy at 12.50%.

Low leverage and healthy debt coverage indicators

The leverage profile is marked by healthy net worth levels, low gearing, and strong debt protection metrics. Net worth is at around Rs 451.48 crore as on March 31, 2021 (Rs 402.17 crores a year earlier), while gearing was low at 0.06 times. Debt profile of the company primarily comprises of working capital loans. The capital structure has been improving y-o-y, aided by build-up in net worth and absence of any significant debt funded capex. Interest coverage and total debt to gross cash accruals is at healthy levels at 109.8x and 0.25x, respectively (106.03x and 0.33x, respectively, as on March 31, 2021).

Consistent revenue and profit contribution from its solar plant; timely receipt of payment from strong counterparty continues

BIL had entered into solar power generation in 2015 by commissioning about 3.78 MW of solar power most of which are at Chennai and has PPA for 25 years at Rs.6.61 per MW. Further, BIL had also commissioned 30MW(AC) Solar power plant in July 2017 at Ahmednagar, Maharashtra having entered in to 25-year PPA with Solar Energy Corporation of India (SECI; a company under Ministry of New and Renewable Energy, Government of India) at a fixed tariff of Rs.4.41/unit. Consequent to stabilization of its solar power plants, there has been healthy revenue and profit contribution from solar division.

Prudent working capital management

During FY21, average working capital cycle elongated and stood at 77 days (FY20: 48 days), mainly due to extended credit period offered to its customers during pandemic covid situation which resulted in deterioration in collection period of 83 days (FY20:67 days), inventory of 48 days (FY20: 33 days) and credit period of 77 days (FY20: 48 Days) availed by the company. Further, the comfort is also derived on account of supplies to high rated clients both in its chemical as well as solar business with established track record owing to its long existence in the industry resulting in to moderate operating cycle. Nevertheless, the company maintains a prudent and efficient working capital management.

Key Rating Weaknesses

Relatively moderate scale of operations with high dependence on end user industry i.e. textiles

BIL's scale of operations continued to remain moderate as compared to other large industry players which derive competitive edge due to their large size, wide product range of dyes intermediates, optimization of effluent handling cost and relatively more stable PBILDT margins. BILs' total revenue from operations is derived from its two business segments viz; chemical and solar with contribution of chemical business hovering around 92% (FY20: 90%) in FY21. Chemical business contributes around 90% in 9MFY22. Total Operating Income in 9MFY22 was Rs.418.56 crore as against Rs. 270.70 crore in 9MFY21 with a growth rate of 54.62%. Despite of increase in Total Operating Income, it remains at moderate level. Besides, BIL's revenue is susceptible to inherent cyclicality associated with the end user industry.

Volatile raw material and finished goods prices and foreign exchange fluctuations leading to volatility in revenues and profitability

The principle raw materials required are caustic soda flakes, naphthalene (crude derivative) Tobias acid (derivative of naphthalene), oleum 65% (highly concentrated sulfuric acid), beta napthol and aniline which form around 79% of raw material cost. The company purchases the raw materials from the open market. The key raw materials are price sensitive and highly volatile. Thus, BIL's profitability is susceptible to volatility in prices of raw materials. Also, lag between change in raw material price and reset of finished goods price impacts the profitability of the company. The same is mitigated to some extent with long term / formula-based mechanism with customers. Besides, as the company derives around 20% from exports, BIL has a foreign currency exposure thereby resulting in susceptibility of its profitability to fluctuations in foreign exchange rate.

Operations of the company susceptible to changes in environmental regulations

Since companies manufacturing dyes and dye intermediates generate a lot of hazardous substances and waste materials, they are subject to central, state, local and foreign laws and regulations relating to pollution, protection of the environment, greenhouse gas emissions, and the generation, storage, handling, transportation, treatment, disposal and remediation of these hazardous substances and waste materials. Costs and capital expenditures relating to environmental, health or safety matters are subject to evolving regulatory requirements and depend on the timing of the promulgation and enforcement of specific standards which impose the requirements. Moreover, changes in environmental regulations could inhibit or interrupt these company's operations or require modifications to their facilities. Accordingly, environmental, health or safety regulatory matters could result in significant unanticipated costs or liabilities. Nevertheless, BIL is a member of CETP (Central Effluent treatment Plant, Taloja), TEPS (Tarapur Environmental Protection Society) and MWML (Mumbai Waste Management Limited, Taloja), follows best in class process controls and systems and has been making efforts to achieve zero liquid discharge for its effluents.

Implementation and stabilization risk associated with the ongoing capex

Earlier, the company has been involved in implementing a capex programme under three phases involving total outlay of around Rs.114.16 crore which was envisaged to be incurred over FY19 to FY23 period. In this regard, the company has already incurred a capex of around Rs.98.74 crore in FY19 to FY22 (up to March 22, 2022). Going forward, the company is planning to execute the remaining capex amounting to Rs. 25 crore and is drawing up plans to execute additional capex of around Rs.50 crore (i.e. around 16.61% of its net worth (i.e., Rs.451.48 crore) as on March 31, 2021) over the next three years. The same is planned to be funded through internal accruals and no further debt is planned to be taken by the company. Considering the size of the project as compared to its Networth and owing to successful track record of the management to implement such large projects in the past, project implementation risk is considered to be low.

Liquidity: Adequate

Adequate liquidity driven by sizeable cash accrual generation against NIL debt repayments, unutilized bank lines and healthy unencumbered cash/bank balance

BIL has a adequate liquidity marked by healthy cash accruals generation against no term debt repayment obligations, low working capital utilization and also with no plans to raise any additional external debt in the near to medium term horizon. In addition, as on December 31, 2022, unencumbered cash/bank balance stood at Rs 39.35 crore while average utilization of Fund Based Limit stood at 50.09% for last twelve months. Further, BIL is currently implementing an expansion plans which will necessitate an investment of about Rs.25.00 crore up to FY23 to be fully funded by internal accruals. BIL is expecting to generate healthy cash accrual during FY22 which would be ample to cover the entire capex cost. Further, with a gearing of 0.06 times as of March 31, 2021, BIL has sufficient gearing headroom, to raise additional debt for its capex if needed.

Analytical Approach: Standalone: CARE has analysed the credit profile of Bhageria industries Limited on a standalone basis.

Applicable Criteria:

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[Criteria for Short Term Instruments](#)
[Rating Methodology: Manufacturing Companies](#)
[Financial ratios – Non-Financial Sector](#)
[Liquidity Analysis of Non-financial Sector Entities](#)

About the Company

Incorporated in 1989, Bhageria Industries Limited (BIL) is engaged in manufacturing of dyes & dyes-intermediaries and Solar power generation & Distribution. Under the chemical division, it has capacity to manufacture Vinyl Sulphone, H-acid and Gamma acid key dye intermediate at its plant located at Vapi and Tarapur. Under the Solar Power segment, BIL has 3.78 Mega Watt (MW) rooftop capacity, having Power Purchase Agreement (PPA) with various reputed corporates, and 30 MW solar power plant located at Maharashtra and having 25-year PPA with Solar Energy Corporation of India.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (UA)
Total operating income	418.95	403.42	418.56
PBILDT	102.85	107.47	92.23
PAT	65.81	62.46	52.31
Overall gearing (times)	0.05	0.06	0.04
Interest coverage (times)	61.36	106.03	109.80

A: Audited, UA: Unaudited

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 for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT/ ST-CC/PC/Bill Discounting		-	-	-	75.00	CARE A+; Stable / CARE A1+
Fund-based - LT/ ST-Working Capital Limits		-	-	-	1.00	CARE A+; Stable / CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Term Loan-Long Term	LT	-	-	-	-	-	1)Withdrawn (23-Aug-19)
2	Fund-based - LT/ ST-CC/PC/Bill Discounting	LT/ST*	75.00	CARE A+; Stable / CARE A1+	-	1)CARE A; Stable / CARE A1 (06-Sep-21)	1)CARE A; Stable / CARE A1 (02-Sep-20)	1)CARE A; Stable / CARE A1 (23-Aug-19)
3	Fund-based - LT/ ST-Working Capital Limits	LT/ST*	1.00	CARE A+; Stable / CARE A1+	-	1)CARE A; Stable / CARE A1 (06-Sep-21)	1)CARE A; Stable / CARE A1 (02-Sep-20)	1)CARE A; Stable / CARE A1 (23-Aug-19)
4	Term Loan-Long Term	LT	-	-	-	-	-	1)Withdrawn (23-Aug-19)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Name of the Instrument	Detailed explanation
A. Financial covenants	
I Current Ratio	Current ratio to be maintained minimum of 1.33x
II Total Outside Liabilities / Tangible Net Worth	TOL/TNW to be maintained 1.5x maximum
B. Non financial covenants	
I Related party transaction	The borrower to take specific prior permission of the bank if the related party transaction exceeds 1% of the total turnover as per last audited financials by using the credit line sanctioned by bank.

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT/ ST-CC/PC/Bill Discounting	Simple
2	Fund-based - LT/ ST-Working Capital Limits	Simple

Annexure 5: Bank Lender Details for this Company
To view the lender wise details of bank facilities please **click here**

Note on complexity levels of the rated instrument: CARE Ratings Ltd. 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.

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About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

****For detailed Rationale Report and subscription information, please contact us at www.careedge.in**