

**Bhageria Dye Chem Ltd.** ₹ 22**Consider the Long Term Angle ! Trade Buy**

Jul 13, 2012

**Company Background**

Mumbai based Bhageria Dye Chem Limited (Bhageria) was incorporated in 1989 and is engaged in the manufacturing and sale of dyes & dye intermediates, Agro chemicals & Active Pharma Ingredients. It manufactures three types of dyes viz. Acid Dyes, Direct Dyes and Reactive Dyes. Agro Chemicals manufactured by the Company include Glyphosate, Propanil, Aluminium Phosphide, Paclobutrazole and Atrazine Powder. The active pharmaceutical ingredients (API) manufactured by the Company include Diloxanide Furoate, Tinidazole, Albendazole, Mebendazole, Ampicillin, Cefadroxil, Cefixime, Trimethoprim, Cloxacilin, Tetracyclin and Amikacin. The Company is also engaged in merchant export of related items.

**Key Highlights**

- ➔ At the AGM held in Aug 2010 the company had approved preferential allotment of 4,500,000 convertible warrants at a price of ₹ 30 (a premium of ₹ 20 over the Face Value of the company). These warrants were allotted to the promoter & non-promoter group in Sep 2010. The Board further resolved in Aug 2011 that 3,650,000 shares be allotted on conversion of warrants. Further in Mar 2012 the balance 850,000 warrants have been converted. The lockin period of 18 months of these warrants has also been over by the time. The allottees may be looking at a respectable price for exit.
- ➔ Bhageria has made significant strides in the field of Dye Intermediates and other related products since its inception. It started with a capacity of 540 MTpa and has now expanded to 3,600 MTpa. Subsequently Company has gone for further expansion in other Dyes intermediates & Dyestuffs. Nearly 70% of the production is exported to Korea, Japan, Taiwan, China, Germany, USA, and other European and African countries. The main thrust of Bhageria is on export, which constitute around 70% of total sales of the Company. It is a "Recognized Export House" and is fast consolidating its resources to build a market presence in the global arena.
- ➔ The company is a regular dividend paying company and has shown consistent growth in sales even during economic slowdown.

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 09	Mar 10	Mar 11
Revenue (₹ mn)	550.7	572.8	617.6
<b>Rev. growth (%)</b>	<b>(16.80)</b>	<b>4.01</b>	<b>7.82</b>
EBITDA (₹ mn)	7.3	39.0	(1,168.4)
Net profit (₹ mn)	(12.4)	11.4	9.0
Shares outstanding (mn)	3.5	3.5	3.5
EPS (INR)	(3.6)	3.3	2.6
<b>EPS growth (%)</b>	<b>(230.53)</b>	<b>(191.94)</b>	<b>(21.05)</b>
P/E (x)	(4.0)	7.2	10.8
EV/ EBITDA	18.6	5.0	(0.2)
<b>ROCE (%)</b>	<b>(5.86)</b>	<b>5.98</b>	<b>3.53</b>

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**Info Codes**

Reuters	: BDYC.BO
Bloomberg	: BGDC@IN
NSE	: -
BSE	: 530803

**Market Data**

52 Wk Range (₹)	: 20 / 31
Shares in Issue (mn)	: 3.5
Mkt. Cap (₹ bn)	: 0.16
BSE 2 Wk Avg Vol	: 1723

**Share Holding Pattern (%)**

Promoters	: 40.36
DII's	: 0.00
FII's	: 0.00
Others	: 59.64

**Investment Theme**

Bhageria mainly a Dye, chemicals & API company is well placed in its sales and market. Majority of its products are exported to Multinationals around the world. Recently the company converted & allotted around 4,500,000 shares out of previous convertible warrants issued to promoter and non promoter group. These warrants have exhausted their lock in period and can be freely sold in the market. Taking into the fact that the warrants were allotted at a price of ₹ 30 while the current price of the share is around ₹ 22, we feel that those who purchased the warrants are bullish about the price and potential in the stock which include the promoters who would definitely have a better perspective about the company than the common investor. We therefore feel that the stock is good and recommend a Trade Buy rating.

**Unlocked & Out of Warrant(y) !**

## Financial Statements

### Income Statement

(₹ mn)

Year end	Mar 09	Mar 10	% Chg	Mar 11	% Chg
Total Sales + Excise	579.5	588.4	1.54	647.8	10.10
Other Income	10.2	8.5	(16.67)	(6.4)	(175.29)
Change in Stocks	(10.2)	7.4	(172.55)	11.0	48.65
Raw Material Con.	333.0	257.8	(22.58)	310.0	20.25
Employee Exp.	6.9	11.2	62.32	12.6	12.50
Indirect Taxes	39.6	24.1	(39.14)	31.5	30.71
Other Exp.	192.7	272.2	41.26	265.5	(2.46)
Operating Exp.	582.4	557.9	(4.21)	608.6	9.09
Operating Profit	(2.9)	30.5	(1151.72)	39.2	28.52
Total Interest	16.6	15.9	(4.22)	9.7	(38.99)
Gross Profit	(9.3)	23.1	(348.39)	23.1	(0.00)
Net Dep.	8.4	7.3	(13.10)	6.8	(6.85)
Total Taxation	(5.3)	4.4	(183.02)	7.3	65.91
Net Profit/Loss	(12.4)	11.4	(191.94)	9.0	(21.05)

### 4 Years Balance Sheet

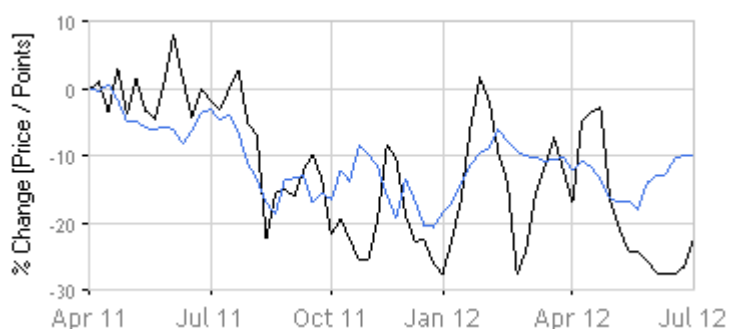
(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Mar 08	Mar 09	Mar 10	Mar 11
<b>SOURCES OF FUNDS</b>	<b>248.9</b>	<b>174.2</b>	<b>206.8</b>	<b>303.3</b>
Equity Share capital	34.6	34.6	34.6	34.6
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	69.0	54.2	60.8	143.8
Secured Loans	145.3	85.4	111.4	124.9
Unsecured Loans	0.0	0.0	0.0	0.0
<b>USES OF FUNDS</b>	<b>248.9</b>	<b>174.2</b>	<b>206.8</b>	<b>303.3</b>
Gross Block	135.3	136.2	127.8	125.4
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	82.0	89.3	86.1	75.7
Net Block	53.3	46.9	41.7	49.7
Capital Work in Progress	0.0	0.0	0.0	0.0
Investments	0.5	0.5	0.0	0.0
Current Assets	303.0	222.4	318.3	351.1
Less : Current Liabilities	107.9	95.6	153.2	97.5
Total Net Current Assets	195.1	126.8	165.1	253.6
Misc. Expenses not written	0.0	0.0	0.0	0.0
<b>NOTE</b>				
Bk Val Unquoted Investments	0.0	0.0	0.0	0.0
Mkt Val. Quoted Investments	0.3	0.2	0.0	0.0
Contingent Liabilities	38.1	9.2	9.2	1.9
Dividend (%)	15	6	12	12

**Quarterly Income Sheets**

(₹ mn)

Quarter Ended	Jun 11	Sep 11	Dec 11	Mar 12
Net Sales	126.40	257.80	126.90	233.30
Cost Of Sales	117.00	245.10	125.00	244.00
Operating Profit	9.40	12.70	1.90	(10.70)
Recurring Income	0.20	0.00	0.00	12.20
Adjusted PBDIT	9.60	12.70	1.90	1.50
Financial Expenses	3.70	6.60	3.00	5.10
Depreciation	1.90	4.10	1.80	2.10
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	4.00	2.00	(2.90)	(5.70)
Tax Charges	1.50	1.40	0.00	0.00
Adjusted PAT	2.50	0.60	(2.90)	(5.70)
Non Recurring Items	0.00	0.00	0.70	2.60
Other Non Cash Adjust	0.00	0.00	0.00	0.00
Net Profit	2.50	0.60	(2.20)	(3.10)

**52 Week Index Relative Percentage Appreciation**

**Bhageria vs SENSEX**
**Points to Ponder**

A Convertible Warrant is an instrument employed by many to invest in a company which has good growth potential. One is required to pay a particular sum upfront and the balance by 18 months so thus one can slowly infuse money in the companies equity. If one changes his approach towards the company he can defer balance payment and forfeit whatever is paid to the company. The warrants have a lockin period of usually 12-18 months and The sale of the warrant are tax free since the date of purchase of the warrant is regarded as the date of purchase of the converted equity share. Thus people have a good instrument of Long Term Capital Gains without one time infusion of money.

**Risks Associated**

The company is associated with as many risks as would be any company who exports. The currency risk is one of the major risks which if not taken into account could cause many problems in the current volatile period. Any appreciation of rupee would harm. Another risk is risk of outdated of technology and products. The chemical industry being a highly R&D oriented industry the products it generates and the processes utilised have a high risk of obsolescence. Competition is yet another risk which has to be taken into account. Especially when China is one of your close competitors and a not so bad one. The final risk is the economic crisis. The sale of chemicals is highly economy dependant and any reversion of the recovering economy will not augur well.

## Bhageria

### In a Nutshell

Bhageria Dye Chem is a company of Bhageria Group and is into dyes, intermediary chemicals, agro chemicals and API's. The company has grown not only in capacity but also has increased its area of operations. The company has successfully incorporated the innovative trends, total quality management and proficiency in work process through advanced research and analysis. This is one of the reasons that, Nearly 70% of its production is being exported worldwide to various clients including multinationals in Korea, Japan, Taiwan, China, Germany, U.S.A & other European and African countries. The Company is a "Recognized Export House" and is fast consolidating its resources to build a market presence in the global arena. Today Bhageria Dye Chem is one of the largest Manufacturer & Exporter of Intermediates and Dyes. The company has a good sales track and has been satisfying the investor with regular dividends. The company had issued Convertible warrants to Promoter and Non Promoter group at a price of ₹ 30, some time back which were duly converted into equity shares. The current price of shares on the market is around ₹ 22. With some momentum seen in the last few days. The lockin period of the warrants has exhausted and the investors may be looking forward at a good enough price to exit. Looking at its current movement, we recommend a Trade Buy on the stock at the current rate.

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### Rating Interpretation

<b>Buy</b>	: Expected to appreciate 20% or more over 12-months	<b>Reduce</b>	: Expected to depreciate up to 10% over 12-months
<b>Accumulate</b>	: Expected to appreciate 10% to 20% over 12-months	<b>Sell</b>	: Expected to depreciate 10% or more over 12-months
<b>Trade Buy</b>	: Expected to appreciate more than 10% over 45-days	<b>Trade Sell</b>	: Expected to depreciate more than 10% over 45-days

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