

Bhageria Dye Chem Ltd. ₹ 168**Here is your Third Chance!****Buy**

Apr 24, 2015

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. It is also engaged in merchant export of related items.

Key Highlights

- ➔ The promoters & competitors of the company have hiked their stake by nearly 5% & 1% ensuring that they are still bullish on the company's business.
- ➔ 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 rise in prices of most of its products showed well in the results in the last FY where the company performed very well with the total income increasing almost 200% and also showing significant rise in profitability. Plus the recent environmental policy changes in China pertaining to the Chemical segment has initiated a comply or perish regime to a stricter set of environmental laws this will ensure that the cost effectiveness of most companies who survive will vanish. This will benefit the dyes & intermediate chemical companies in India which is expected to dominate the segment hereon.

Key Financials

Year Ended 31 st	Mar 12	Mar 13	Mar 14
Revenue (INR mn)	631.1	1,295.3	3,706.4
Rev. growth (%)	2.2	105.2	186.1
EBITDA (INR mn)	15.5	40.1	255.4
Net profit (INR mn)	(4.7)	12.6	154.0
Shares outstanding (mn)	8.0	8.0	8.0
EPS (INR)	(0.6)	1.6	19.3
EPS growth (%)	(107.4)	(368.1)	1,122.2
P/E (x)	(45.6)	13.6	1.5
RONW (%)	(2.2)	5.3	49.6
ROCE (%)	(1.4)	3.5	25.6

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Info Codes

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

Market Data

52 Wk Range (₹)	: 37 / 215
Shares in Issue (mn)	: 8.0
Mkt. Cap (₹ bn)	: 1.32
BSE 2 Wk Avg Vol	: 681000

Share Holding Pattern (%)

Promoters	: 45.17
FII's	: 0.34
DII's	: 0.00
Others	: 54.49

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. The price of products which it manufactures have risen a lot in the chemical market especially the dyes and intermediates which have appreciated more than 300%. With the recent environmental policy changes in China the Chinese Government has put up a comply or perish regime on most of the chemical manufacturers, this is a radical change in the scenario and will hamper lot of dye & intermediate manufacturing companies in China, Companies like Bhageria who are placed in India where environmental Laws are a bit more softer stand to benefit a lot from the situation. We therefore maintain a Buy on the company.

Out last buy call was honoured by even Promoters & Competitors!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 12	Mar 13	% Chg	Mar 14	% Chg
Total Sales + Excise	658.6	1386.9	110.58	3879.3	179.71
Other Income	12.6	4.9	(61.11)	32.4	561.22
Change in Stocks	34.4	(25.3)	(173.55)	116.6	(560.87)
Raw Material Con.	384.5	833.9	116.88	1303.1	56.27
Employee Exp.	12.4	15.8	27.42	24.1	52.53
Indirect Taxes	40.4	96.5	138.86	205.3	112.75
Other Exp.	252.8	380.2	50.40	2240.4	489.27
Operating Exp.	655.7	1351.7	106.15	3656.3	170.50
Operating Profit	2.9	35.2	1113.79	223.0	533.52
Total Interest	14.5	14.6	0.69	14.0	(4.11)
Gross Profit	1.0	25.5	2450.00	241.4	846.67
Net Dep.	8.0	7.3	(8.75)	8.5	16.44
Total Taxation	(2.3)	5.6	(343.48)	78.9	1308.93
Net Profit/Loss	(4.7)	12.6	(368.09)	154.0	1122.22

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 11	Mar 12	Mar 13	Mar 14
SOURCES OF FUNDS	303.2	332.0	367.4	760.8
Equity Share capital	34.6	79.6	79.6	79.6
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	143.7	145.7	150.8	272.3
Long Term Loans	1.6	0.0	0.0	0.0
Short Term Loans	123.3	106.7	137.0	408.9
USES OF FUNDS	303.2	332.0	367.4	760.8
Gross Block	125.4	129.4	135.3	169.1
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	75.7	83.9	91.1	98.7
Net Block	49.7	45.5	44.2	70.4
Capital Work in Progress	0.0	0.0	0.0	0.0
Investments	0.0	0.0	0.0	0.0
Current Assets	347.8	431.4	523.5	1,026.1
Less : Current Liabilities	94.3	144.9	200.3	335.7
Total Net Current Assets	253.5	286.5	323.2	690.4
Misc. Expenses not writtenoff	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	0.0	0.0	0.0	0.0
Mkt Val. Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	1.9	1.9	0.4	2.9
Dividend (%)	12	5	8	35

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 14	Jun 14	Sep 14	Dec 14
Net Sales	1399.9	1816.2	683.8	764.2
Cost Of Sales	1265.5	1564.8	590.3	625.5
Operating Profit	134.4	251.4	93.5	138.7
Recurring Income	21.5	6.1	6.7	6.5
Adjusted PBDIT	155.9	257.5	100.2	145.2
Financial Expenses	3.7	3.9	2.8	4.5
Depreciation	2.4	2.8	3.0	4.1
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	149.8	250.8	94.4	136.6
Tax Charges	46.0	85.0	32.3	49.3
Adjusted PAT	103.8	165.8	62.1	87.3
Non Recurring Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Net Profit	103.8	165.8	62.1	87.3

52 Week Index Relative Percentage Appreciation



Bhageria vs SENSEX

Risks Associated

➔ **Risk of Environmental Laws**

Since the company operates in the chemical sector the most important risk is of the Environmental Laws, Any change in the environmental laws of the state or country of the country of export would damage the current business position.

➔ **Increase in Raw Material Prices**

Major raw materials to the company are always under inflationary pressure this is usually due to supply and demand of the raw materials coupled with the fact that 90% of the competition is locally confined to just 2 states in India Gujarat & Maharashtra.

➔ **The Fluctuating Rupee**

Considering the fact that some of its raw materials are imported the risk return of purchase is tied up to the fluctuating Rupee any depreciation in the Currency would bring in pressures on margins.

➔ **Competition**

Being a global player, the company is also exposed to competition not only from domestic players but also large international players. Cheap imports especially from countries like China could pose problems, which would have to be faced appropriately.



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 40% 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 prices of most of the products it manufactures are rising especially the dyes and intermediates have appreciated more than 300% in the last 2 years due to the environmental policy changes in China, who has planned to shut down the small scale polluting units which encompass dyes and intermediates. Bhageria has a lot to gain from the scenario in the near future, since not only their competition will reduce but also their markets have expanded considering the manufacture deficit in China. We therefore maintain a Buy on the stock.

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Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

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