

Bhageria Industries

₹ 242

Growth Imported from China!**Buy**

Aug 05, 2016

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 API's 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

- ➔ Bhageria has made significant strides in field of Dye Intermediates & other related products since it's 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" & is fast building its presence in global market.
- ➔ In FY 2015 The promoters & competitors of Bhageria hiked their stake by nearly 5% & 1% ensuring their bullishness on the company's business.
- ➔ 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. The current condition is such that China which was a net exporter of Dyes and Chemicals is slowly becoming a net importer of the same.
- ➔ Most of the dye intermediate & dyestuff companies are showing their performances on the field and on bourses, Bhageria is also in the band wagon and is expected to gain the same way as its peers.

Key Financials

Year Ended 31 st	Mar 14	Mar 15	Mar 16
Revenue (INR mn)	3,905.1	4,388.4	2,578.6
Rev. growth (%)	180.66	12.38	(41.24)
EBITDA (INR mn)	583.7	248.8	39.6
Net profit (INR mn)	366.1	154.0	12.6
Shares outstanding (mn)	8.0	8.0	8.0
EPS (INR)	18.8	44.9	18.3
EPS growth (%)	1184.25	139.68	(59.23)
P/E (x)	1.57	2.91	7.66
RONW (%)	52.88	71.65	21.22
ROCE (%)	42.63	71.10	28.78

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Info Codes

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

Market Data

52 Wk Range (₹)	: 95 / 260
Shares in Issue (mn)	: 8.0
Mkt. Cap (₹ bn)	: 1.92
BSE 2 Wk Avg Vol	: 12000

Share Holding Pattern (%)

Promoters	: 48.81
Public	: 51.19

Past Performance

Last Recommended on Apr 24, 2015 and achieved its target in the defined time horizon.

Investment Theme

Bhageria Dye-Chem Ltd was established in 1989 with an objective to serve the dyes & intermediates industry all over the globe. The Company commenced its operations by setting up Vinyl Sulphone Plant at Vapi (Gujarat). Subsequently Company has gone for further expansion in other Dyes intermediates & Dyestuffs. Bhageria has made significant strides in the field of Dye Intermediates and other related products since it's inception. Nearly 70% of its production is being exported worldwide to various clients including multinationals. The products are being exported to Korea, Japan, Taiwan, China, Germany, U.S.A & other European and African countries. Today, Bhageria is among largest Manufacturer & Exporter of Intermediates and Dyes. Further growth is still expected. So we maintain a Buy on the Scrip.

Buy -o- Chemical Reaction!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 14	Mar 15	% Chg	Mar 16	% Chg
Net Sales	3,687.8	4,124.0	11.8	2,384.6	(42.2)
Other Income	12.0	26.5	120.8	19.3	(27.2)
Change in Stocks	116.6	84.7	(27.4)	(208.2)	(345.8)
Raw Material Con.	2,655.0	2,614.4	(1.5)	1,252.2	(52.1)
Employee Exp.	24.1	42.8	77.6	39.0	(8.9)
Indirect Taxes	205.3	237.9	15.9	174.7	(26.6)
Other Exp.	683.2	756.4	10.7	445.4	(41.1)
Operating Exp.	3,567.6	3,651.5	2.4	1,911.3	(47.7)
Operating Profit	248.8	583.7	134.6	284.4	(51.3)
Total Interest	14.1	21.3	51.1	13.0	(39.0)
Gross Profit	234.7	562.4	139.6	271.4	(51.7)
Net Dep.	8.5	14.8	74.1	33.9	129.1
Total Taxation	72.2	181.5	151.4	84.2	(53.6)
Net Profit/Loss	154.0	366.1	137.7	153.3	(58.1)

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 12	Mar 14	Mar 15	Mar 16
SOURCES OF FUNDS	367.5	760.0	840.3	900.7
Equity Share capital	79.6	79.6	79.6	79.6
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	150.9	272.3	590.4	695.5
Secured Loans	137.0	408.1	169.9	125.2
Unsecured Loans	0.0	0.0	0.4	0.4
USES OF FUNDS	367.5	760.0	840.3	900.7
Gross Block	137.0	170.8	293.6	374.5
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	91.1	98.6	113.4	146.9
Net Block	45.9	72.2	180.2	227.6
Capital Work in Progress	0.0	0.0	0.0	38.4
Investments	0.0	0.0	213.3	333.6
Current Assets	518.1	1,104.1	840.4	790.4
Less : Current Liabilities	194.4	409.5	376.0	451.1
Total Net Current Assets	323.7	694.6	464.4	339.3
Misc. Expenses not writtenoff	(2.1)	(6.8)	(17.6)	(38.2)
NOTE				
Book Value of Unquoted Investments	0.0	0.0	0.0	0.0
Market Value of Quoted Investments	0.0	0.0	232.6	340.5
Contingent Liabilities	0.0	0.0	50.3	142.8
Dividend (%)	50.0	35.0	50.0	50.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Jun 15	Sep 15	Dec 15	Mar 16
Net Sales	575.0	698.9	508.1	602.5
Cost Of Sales	470.8	650.0	464.2	534.8
Operating Profit	104.2	48.9	43.9	67.7
Other Income	1.7	1.7	4.3	12.0
Adjusted PBDIT	105.9	50.6	48.2	79.7
Financial Expenses	4.5	2.8	3.4	2.3
Depreciation	8.3	8.4	8.5	8.7
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	93.1	39.4	36.3	68.7
Tax Charges	31.3	13.7	12.3	26.9
Reported Profit	61.8	25.7	24.0	41.8
Extra Ordinary Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	61.8	25.7	24.0	41.8

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 confined to 2 states in India Gujarat & Maharashtra.

➔ The Fluctuating Rupee

Considering the fact that some of its raw materials are imported and products exported the risk return of purchase / sale 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 will have to be tackled intelligently.

Bhageria

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

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