

Bhagiradha Chemicals**₹351****Leading Exporter...!!!****Buy**

Jan 05, 2018

Company Background

Bhagiradha Chemicals & Industries was incorporated on 7 July, 1993. Promoted by S Koteswara Rao, C Vidya Sagar and D Sadasivudu. It deals with pesticides and has set up a plant at Cheruvukommupalem, Andhra Pradesh. Company has a capacity of 3200 tpa for manufacture of technical grade insecticides, herbicides & fungicides. It lays great emphasis in establishing vital relation in international business and has achieved considerable success in this regard by exporting 70% of its produce during the last six years. Company has made significant exports to customers in Australia, South Africa, China, Germany, Singapore, Spain, U.K. Belgium, Greece, Italy, Malaysia, Taiwan, Indonesia, Peru, Brazil, etc. It's research and Development team is constantly trying to establish a sound scientific base to meet the increasing demands on the quality of the products. It also generated authentic chemical & toxicological data for Chlorpyrifos Ethyl Technical, Chlorpyrifos Methyl Technical, Triclopyr Butoxy Ethyl Ester Technical, & formulations to facilitate registration of these products in the importing countries.

Key Highlights

- ➔ For 2016-17 Net sales jumped by 35.4% to ₹ 2050.60 mn, other income rose by 76% to ₹ 18.30 mn and raw materials cost also increased by 20% to ₹ 1486.70 mn on year on year basis.
- ➔ Operating profit increased by 156.40% to ₹ 126.90 mn, interest cost was down by 6.4% to ₹ 61.9 mn and Depreciation marginally rose 5.8% to ₹ 38.40 mn for 2016-17.
- ➔ It has obtained registration for Azoxystrobin Technical and its formulation in the domestic market, it will generate more than 50% revenue.
- ➔ Imports from China are going to dip by nearly 80% due to the regulatory issues, it will lead to boost domestic pesticide production.
- ➔ Helm AG based in Hamburg, Germany has obtained registration for Fipronil and its formulations in Brazil with Bhagiradha Chemicals & Industries, as the source of supply of Fipronil Technical. Company proposes to set up a dedicated manufacturing line for Fipronil starting Q4 of FY 2018.

Key Financials

Year Ended 31 st	Mar 15	Mar 16	Mar 17
Revenue (INR mn)	2,426.6	1,651.9	2,228.8
Rev. growth (%)	28.93	(31.93)	34.92
EBITDA (INR mn)	112.8	116.6	49.5
Net profit (INR mn)	25.2	(32.1)	20.3
Shares outstanding (mn)	5.1	5.1	5.1
EPS (INR)	4.8	0.0	4.0
EPS growth (%)	29.00	(100.00)	0.00
P/E (x)	9.74	0.00	42.46
RONW (%)	5.18	(8.40)	4.30
ROCE (%)	7.91	0.45	7.95

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Info Codes

Reuters	: BHCM.BO
Bloomberg	: BCHI IN
NSE	: N/A
BSE	: 531719

Market Data

52 Wk Range (₹)	: 131/373
Shares in Issue (mn)	: 5.1
Market. Cap (bn)	: 2.73
BSE 2 Wk Avg Vol	: 9925

Share Holding Pattern (%)

Promoters Holding	: 22.00
Public & Others	: 78.00
Corporate Holding	: 00.00
Foreign Institution	: 00.00
Institutions	: 00.00

Investment Theme

Global agrochemicals market was valued at \$ 207.5 bn in 2014. It is projected to reach \$ 250.5 bn by 2020, at a CAGR of 3.2% from 2015 to 2020. Asia-Pacific dominates the global market with a market share of around 36.7%. European region is expected to be the fastest-growing market in the near future. Domestic agrochemicals market is expected to grow further at approximate 12% to reach \$ 6.8 bn by FY17. The growth would be largely driven by export demand which is expected to grow at 15-16%, while domestic demand is expected to grow at 8-9%. Currently there is low consumption of crop protection products in India at 0.6 kg/ha compared to world average of 3 kg/ha. Company has good customer base globally; Australia, Brazil, Belgium, China, Germany, Greece, Indonesia, Italy, Malaysia, Peru, South Africa, Singapore, Spain, Taiwan and U.K etc.

Continues focus on R&D...!!!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 15	Mar 16	% Chg	Mar 17	% Chg
Net Sales	2,213.0	1,515.0	(31.5)	2,050.6	35.4
Other Income	10.7	10.4	(2.8)	18.3	76.0
Change in Stocks	100.3	210.2	109.6	86.7	(58.8)
Raw Material Con.	1,752.7	1,239.1	(29.3)	1,486.7	20.0
Employee Exp.	94.6	95.2	0.6	113.7	19.4
Indirect Taxes	202.9	126.5	(37.7)	159.9	26.4
Other Exp.	157.0	225.3	43.5	268.4	19.1
Operating Exp.	2,207.2	1,686.1	(23.6)	2,028.7	20.3
Operating Profit	116.8	49.5	(57.6)	126.9	156.4
Total Interest	57.1	66.1	15.8	61.9	(6.4)
Gross Profit	59.7	(16.6)	(127.8)	65.0	(491.6)
Net Dep.	29.1	36.3	24.7	38.4	5.8
Total Taxation	5.4	(20.8)	(485.2)	6.3	(130.3)
Net Profit/Loss	25.2	(32.1)	(227.4)	20.3	(163.2)

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 14	Mar 15	Mar 16	Mar 17
SOURCES OF FUNDS	1,004.0	1,208.2	1,083.1	1,141.5
Equity Share capital	50.8	50.8	50.8	50.8
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	428.0	442.8	410.7	431.1
Secured Loans	331.8	437.9	478.0	583.2
Unsecured Loans	193.4	276.7	143.6	76.4
USES OF FUNDS	1,004.0	1,208.2	1,083.1	1,141.5
Gross Block	783.4	863.7	1,041.8	1,104.1
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	307.8	342.5	378.4	416.8
Net Block	475.6	521.2	663.4	687.3
Capital Work in Progress	92.8	161.3	0.0	0.0
Investments	0.0	0.0	0.0	0.0
Current Assets	812.9	1,233.9	1,085.6	1,316.4
Less : Current Liabilities	382.9	712.0	696.4	887.3
Total Net Current Assets	430.0	521.9	389.2	429.1
Misc. Expenses not writtenoff	5.6	3.8	30.5	25.1
NOTE				
Book Value of Unquoted Investments	0.0	0.0	0.0	0.0
Market Value of Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	0.0	35.0	0.0	0.0
Dividend (%)	0.0	10.0	10.0	0.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Dec 16	Mar17	Jun 17	Sep 17
Net Sales	558.9	493.3	369.3	549.5
Cost Of Sales	523.7	482.3	398.7	495.5
Operating Profit	35.2	11.0	(29.4)	54.0
Other Income	0.4	17.7	2.1	(0.9)
Adjusted PBDIT	35.6	28.7	(27.3)	53.1
Financial Expenses	21.2	10.7	18.5	21.9
Depreciation	9.6	9.8	8.8	6.9
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	4.8	8.2	(54.6)	24.3
Tax Charges	1.0	2.5	(18.8)	(4.2)
Reported Profit	3.8	5.7	(35.8)	28.5
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	3.8	5.7	(35.8)	28.5

52 Week Index Relative Percentage Appreciation

Bhagiradha vs SENSEX
Risks Associated

- India imports nearly to ₹ 5,900 cr, worth of technical pesticides, intermediaries, and finished products of which around 55% comes from China.
- Rising sale of spurious pesticides and increased bio-pesticides pose a major threat to the industry, it needs regulations to include all types of pesticides including biopesticides and increased inspection to contain the growth of spurious products.
- Due to changes in exchange rates company is facing forex risk, as company has customer network in various countries for them it exporting products.

Scope of Growth

- For Sep Quarter 17 Net sales rose by 48.8% to ₹ 549.50 mn, operating profit increased to ₹ 54.0 mn, though other income was low the net profit rose to ₹ 28.5 mn on QoQ basis.
- The domestic agrochemicals market is expected to do well on account of good monsoon at the same time domestic revenue is expected to increase as comparison to export revenue.
- The Government of India has to take more initiatives to support the domestic agrochemical companies by restricting the imports of active ingredients and its formulations.
- Imports from China are expected to dip by 80% due to the regulatory changes proposed to boost local production of pesticides.

In a Nutshell

Bhagiradha Chemicals & Industries Limited manufactures of high quality pesticides. It has products like; Insecticide, Fungicide, Herbicide and Intermediates. The plant is spread in 14.7 hectares with 3 production segments for manufacture of insecticides, herbicides and fungicides. Products are manufactured with the combination of a dedicated team & world class production techniques guarantee delivery of products to customers across the globe. Products are exports to Australia, South Africa, China, Germany, Singapore, Spain, U.K. Belgium, Greece, Italy, Malaysia, Taiwan, Indonesia, Peru and Brazil. Coal fired boiler with a capacity of 12 tph is provided for catering steam requirements of all the production segments. Diesel power generators are installed to provide sufficient power for shut down of the process units safely and maintain some essential services in the event of prolonged power outage. BCIL is actively pursuing registration of many products for domestic market which would result in increase in product base and revenues in domestic market. Recently company has obtained registration for Azoxystrobin Technical and its formulation in the domestic market. Azoxystrobin and Chlorpyrifos will be the key products for the company in FY 2017-18 which is expected to contribute to more than 50% of the company's revenue. Indian market is expected to do well on account of good monsoon and also good revenues are expected to rise in comparison to the export revenues. Indian companies are dependent on supply of agrochemical intermediates from China. Sales revenue of the company increased from ₹1515.00 mn to ₹ 2050.60 mn, company has not recommend any dividend for the financial year 2016-17.

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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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