



Date: August 20, 2018

To
Listing Department,
BSE LTD.
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001.
Scrip Code: 530803

Listing Department,
NSE LTD.
Exchange Plaza,
BKC, Bandra (E),
Mumbai 400 051.
Scrip Code: BHAGERIA

Sub : Ratings from CARE Ratings Ltd- Disclosure under Regulation 30 of the SEBI (LODR) Regulations, 2015

Dear Sir,

With reference to the above subject, we wish to inform you that CARE Ratings Ltd. (CARE) has reviewed and given the ratings as under:

Facilities	Amount (Rs. Crore)	Rating	Rating Action
Long-term Fund Based Bank Facilities (Term loan)	6.10 (Enhanced from 4.92 crores)	CARE A-;Stable (Single A Minus; outlook: Stable)	Revised from CARE BBB+;Stable (Triple B Plus; Outlook: Stable)
Short-term Fund Based Bank Facilities	78.00 (enhanced from 53.00)	CARE A2+ (A Two Plus)	Revised from CARE A 2 (A Two)
Short-term Non Fund Based Bank Facilities	1.00	CARE A2+ (A Two Plus)	Revised from CARE A2 (A Two)
Total Facilities	85.10 (Rupees Eighty Five Crore and ten Lakh only)		

We are enclosing herewith a copy of the Formal Rating Letter issued by CARE which was communicated to the Company today via email.

We request you to kindly take the above documents on record.

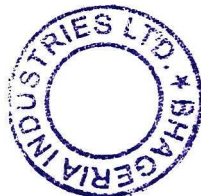
Thanking You.

Yours faithfully,

For BHAGERIA INDUSTRIES LIMITED



Ketan Gaur
Company Secretary



Encl: As above.

No. CARE/HO/RL/2018-19/2550

Mr. Suresh K Bhageria
Chairman
Bhageria Industries Limited
1002, Topiwala Centre, Off S. V. Road,
Goregaon West
Mumbai - 400062.

August 13, 2018

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your company for FY18 (Audited) and Q1FY19 (Un-audited), our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Fund Based Bank Facilities (Term Loan)	6.10 (Enhanced from 4.92 crores)	CARE A-; Stable [Single A Minus; Outlook: Stable]	Revised from CARE BBB+; Stable [Triple B Plus; Outlook: Stable]
Short-term Fund Based Bank Facilities	78.00 (enhanced from 53.00)	CARE A2+ [A Two Plus]	Revised from CARE A2 [A Two]
Short-term Non Fund Based Bank Facilities	1.00	CARE A2+ [A Two Plus]	Revised from CARE A2 [A Two]
Total Facilities	85.10 (Rupees Eighty five crore and ten lakhs 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 August 20, 2018, we will proceed on the basis that you have no any comments to offer.

(Signature)

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

4. CARE 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 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 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 so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE 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 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. CARE 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. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
8. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

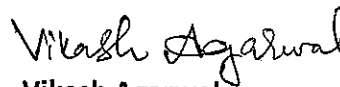
If you need any clarification, you are welcome to approach us in this regard.

Thanking you,



Krishna Pandey
Deputy Manager
krishna.p@careratings.com

Yours faithfully,



Vikash Agarwal
Senior Manager
vikash.agarwal@careratings.com

Encl.: As above

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.



Annexure 1
Details of Rated Facilities

1. Long-term facilities

1.A. Secured Rupee Term Loans

(Rs. crore)			
Sr. No.	Name of Bank	Rated Amount Outstanding	Remark
1	ICICI Bank	4.00	Outstanding
2	Exim Bank	2.10	Outstanding
	TOTAL	6.10	

Total rated secured term loan (1.A.) Rs.6.10 crore

2. Short-term facilities

2.A. Fund Based limits

(Rs. Crore)			
Sr. No.	Name of Bank	Fund Based Limits	
		Facilities	Total fund-based limits
1	Yes Bank	CC/PCFC	50.00
2	Oriental Bank of Commerce	CC/PC/FDBP/PCL	3.00
3	Kotak Bank	CC/PC/FDBP/OCL	25.00
	TOTAL		78.00

2.B. Non fund based limits

(Rs. Crore)			
Sr. No.	Name of Bank	Fund Based Limits	
		LC/BC/LOC	Total fund-based limits
1	Yes Bank	1.00	1.00
	TOTAL	1.00	1.00

Total short-term bank facilities Rs. 79.00 crore



Annexure 2
Press Release
Bhageria Industries Limited

Ratings

Facilities	Amount (Rs. crore)	Rating ²	Rating Action
Long-term Fund Based Bank Facilities (Term Loan)	6.10 (Enhanced from 4.92 crores)	CARE A-; Stable [Single A Minus; Outlook: Stable]	Revised from CARE BBB+; Stable (Triple B Plus; Outlook: Stable)
Short-term Fund Based Bank Facilities	78.00 (Enhanced from 53.00)	CARE A2+ [A Two Plus]	Revised from CARE A2 (A Two)
Short-term Non Fund Based Bank Facilities	1.00	CARE A2+ [A Two Plus]	Revised from CARE A2 (A Two)
Total Facilities	85.10 (Rupees Eighty five crore and ten lakhs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings factors in the improvement in the credit profile of Bhageria Industries Ltd (BIL) characterised by successful completion of amalgamation of Nipur Chemical Limited (its associate) with BIL as well as stabilisation of operations of solar power plant leading to additional revenues, improvement in the cash accruals, lower gearing levels and comfortable debt coverage indicators in FY18 and Q1FY19 (refers to the period April 1 to June 30).

Furthermore, the rating continue to factor in BIL's experienced management coupled with long and established track record of operations in the chemical industry, long standing relationship with reputed clientele base albeit customer concentration risk and short operating cycle.

However, the above strengths are tempered by BIL's modest scale of operations, concentrated product portfolio leading to dependence on cyclical textile industry along with its revenues and profit margins susceptible to volatile raw material prices Furthermore, the strengths are offset by

¹ Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

susceptibility of BILs' operations to changes in environmental regulations coupled with implementation risk associated with its upcoming projects.

Going forward, BIL's ability to successfully implement its project as per the planned funding profile without any time and/or cost overrun, increase its scale of operations, improve profit margins amidst increasingly competitive environment and fluctuations in foreign exchange rates/ volatile raw material prices coupled with sustaining comfortable capital structure with effective management of working capital cycle would be the key rating sensitivities.

Key Rating Strengths

Successful completion of amalgamation of Nipur Chemicals Limited with Bhageria Industries Limited

Earlier, BIL used to manufacture H-acid and Gamma acid by outsourcing the job work of the same to its group associate Nipur Chemicals Limited (NCL) which is a debt free company. On April 5, 2018, NCLT passed an order approving the amalgamation of BIL with NCL. This amalgamation is expected to increase operational efficiency and integrate business functions as NCL is into same line of business of manufacturing dyes/dye intermediates and also does job work for BIL to an extent. Apart from the above, effluents generated during manufacturing Vinyl Sulphone (primary product of BIL) are used in manufacturing of H acid and vice versa. As a result, this amalgamation has not only aided BIL in reducing its effluents to be treated but also help in saving costs associated with such treatment. Thus, the aforementioned amalgamation will help in saving of costs resulting into strengthening the overall financial profile of BIL.

Growth in revenues coupled with improvement in PBILDT margins in FY18 and Q1FY19

The total operating income of BIL marked a steady growth of around 7% mainly driven by growth in revenues from the solar segment on the back of stabilisation of its 39MW_(dc) solar power plant at Ahmednagar, Maharashtra which was operational from Q2FY18. In FY18, the PBILDT margins of BIL improved to 23.67% from 18.98% a year ago mainly supported by significant improvement in inflows from solar segment along with improved realisations from its current basket of products.

Further, In Q1FY19, the revenues from operations continued their upward trajectory to witness a y-o-y growth of around 26% driven by improved realisations from its product portfolio coupled with

growth in revenues from its solar segment. Consequently, PBILDT margins of BIL improved to 27.59% in Q1FY19 as against 15.81% a year ago. This has led to higher cash accruals generated by the company on a y-o-y basis.

Lower gearing levels and comfortable debt coverage indicators and liquidity position

In FY18, BIL's gearing levels improved backed by continuous improvement in internal accruals along with repayment of majority of debt raised by the company for its 39MW_(dc) solar power plant. The overall gearing of BIL stood at 0.29x as on March 31, 2018 as against 0.55x as on March 31, 2017. PBILDT interest coverage ratio remained healthy at 14.72x in FY18.

Further, BIL's gearing levels improved to 0.16x as on June 30, 2018 owing to repayment of majority of debt raised by the company on the back of healthy cash accruals generated during the period. Consequently, PBILDT interest coverage ratio also improved to 27.25x. The company's liquidity profile remained comfortable as supported by cash & bank balance (incl. liquid investments) of Rs. 37.21 crore along with bank limit utilisation stood at around 47% for the last twelve months ended June 30, 2018 which provides ample cushion to the company in case of any exigency. Going forward, with its ongoing capex being funded largely out of internal accruals, generation of gross cash accruals as envisaged is critical from credit perspective.

Experience management coupled with BIL's long and established track record of operations

BIL is spearheaded by Mr. Suresh Bhageria (Executive Chairman) and Mr. Vinod Bhageria (Managing Director), each of whom have more than three decades of experience in dyes & dyes intermediates industry. The company is currently managed by a ten member board having extensive experience in various aspects of specialty chemical industry and is supported by a team of eminent and well qualified professionals from relevant fields. Besides, BIL has been operating in the dyes and dye intermediates segments since 1989 thereby exhibiting a proven track record of around more than two and a half decades in the chemical industry.

Long standing relationship with reputed clientele albeit customer concentration risk exists

BIL supplies large local as well as multinational players and has established relationships with its reputed customers. This has enabled the company to get repetitive orders from them. During

FY18, the top-six customers of BIL constituted around 55% (FY17: 56%) of the total income derived by BIL. Out of the top six customers, sales to one major customer contributed around 25% (FY17: 29%) of the total revenue generated by BIL in FY18, thereby exposing it to customer concentration risk. Any change in the procurement policy of these customers may adversely impact the business of BIL. This also exposes the BIL's revenue growth and profitability to its customer's future growth plans. Nevertheless, the risk is mitigated to some extent, due to BIL's long standing relationship with these customers.

Short operating cycle

During FY18, BIL's working capital cycle stood short at 47 days (FY17: 34 days) with collection period of 65 days, inventory holding period of 36 days and suppliers credit period of 54 days availed by the company. The average working capital utilization stood at around 47% for twelve months trailing June, 2018. The company maintains debtors and creditors days between 30-60 days while supplies from Reliance Industries are in cash and carry mode.

Key Rating Weaknesses

Modest Scale of Operations

With total operating income of Rs. 376.11 crore during FY18 and tangible net worth of Rs. 295.32 crore as on March 31, 2018, BIL is classified as a relatively modest sized entity.

Concentrated product portfolio leading to dependence on cyclical textile industry

BILs' total revenue from operations is derived from its two business segments viz; chemical and solar with contribution of chemical business hovering around 94% (FY17: 99%) in FY18. BIL's product portfolio in chemical segment is concentrated to three products viz, H-acid, Vinyl Sulphone and Gamma acid. However, comfort can be derived from the fact that BIL's chemical portfolio is an integrated one as some by-products generated in manufacturing of Vinyl sulphone are used in manufacturing of H-acid and vice versa. Besides, since H-acid, Vinyl Sulphone and Gamma acid are used as intermediates in manufacturing of reactive dyes which are used in textiles and leather industry. BIL's revenue is susceptible to inherent cyclicity associated with the end user industry.

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

The principle raw materials required are caustic soda flakes, naphthalene (crude derivative) tobas acid (derivative of naphthalene), oleum 65% (highly concentrated sulfuric acid), beta naphthol and aniline which form around 68% 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.

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.

Project Risk

Over the next three years (FY19-FY21), the company is projecting to add fixed assets aggregating to Rs.108.50 crore to be funded through internal accruals. Out of these, Effluent treatment plant is already implemented in Q1FY19 and trial runs are currently being undertaken. Thus, remaining capex of Rs. 95 crores (being less than 50% of its network (i.e. Rs.313.17 crore) as on June 30,

2018, the project implementation risk is considered to be lower owing to successful track record of the management to implement such large projects in the past and this being an expansion project in a similar line of business.

Analytical approach: Standalone Approach

Applicable Criteria:

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Financial ratios – Non-Financial Sector

Rating Methodology-Manufacturing Companies

Criteria for Short Term Instruments

Background

Incorporated in 1989, Bhageria Industries Limited (BIL), formerly known as Bhageria Dye Chem Limited is engaged in manufacturing of dye and dye-intermediaries. The company has plant located at Vapi and Tarapur. Presently, BIL has capacities to manufacture 4,200 TPA of Vinyl Sulphone, 3,000 TPA of H-acid and 600 TPA of Gamma acid. Vinyl Sulphone, H-acid and Gamma acid are major products for the company. The company is also engaged in trading of agro chemicals, pigments, and various pharmaceutical ingredients.

Further, the company is also present in solar power segment. BIL has almost 3 MW operational solar rooftop projects majorly located in Chennai and a 39MWdc solar power plant at Ahmednagar, Maharashtra.

Amount (in Rs. Crores)

Brief Financials	FY17 (Audited)	FY18 (Audited)
Total operating income	351.40	376.11
PBILDT	66.71	89.04
PAT	43.46	40.34
Overall gearing (times)	0.55	0.29
Interest coverage (times)	42.82	14.72

Status of non-cooperation with previous CRA: None

Any other information: NA



Rating History for last three years: Annexure 2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact

Name: Vikash Agarwal

Tel: 022 - 6754 3405

Email: vikash.agarwal@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

B2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Term Loan-Long Term	-	-	-	2.10	CARE A-; Stable
Fund-based - ST-EPC/PSC	-	-	-	78.00	CARE A2+
Non-fund-based - ST-BG/LC	-	-	-	1.00	CARE A2+
Term Loan-Long Term	-	-	Dec-2022	4.00	CARE A-; Stable

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Term Loan-Long Term	LT	2.10	CARE A-; Stable	-	1)CARE BBB+; Stable (23-Feb-18)	1)CARE BBB (30-Nov-16) 2)CARE BBB (11-Aug-16)	-
2.	Fund-based - ST-EPC/PSC	ST	78.00	CARE A2+	-	1)CARE A2 (23-Feb-18)	1)CARE A3+ (30-Nov-16)	-
3.	Non-fund-based - ST-BG/LC	ST	1.00	CARE A2+	-	1)CARE A2 (23-Feb-18)	1)CARE A3+ (30-Nov-16)	-
4.	Term Loan-Long Term	LT	4.00	CARE A-; Stable	-	1)CARE BBB+; Stable (23-Feb-18)	1)CARE BBB (30-Nov-16)	-

CB