



BHAGYANAGAR INDIA LIMITED

ISO 9001 - 2008 Certified Company

5th Floor, Surya Towers,
Sardar Patel Road,
Secunderabad-500 003. Telangana, India
Tel : +91 40 27845119/27841198/44665700
Fax : +91-40-27848851/27818868
Website : www.surana.com
E.mail : bil@surana.com
CIN No.: L27201TG1985PLC012449

BIL/SECT/ 053 /18-19

Date: 19th December, 2018

The Secretary National Stock Exchange of India Limited Exchange Plaza, 5 th Floor, Plot C/1, G Block, Bandra – Kurla Complex, Bandra (E), MUMBAI – 400 023.	The Secretary, BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, MUMBAI – 400 001
--	--

Dear Sir/Madam,

Sub: Credit Rating - Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Pursuant to the Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform that CARE Ratings Ltd, a Credit Rating Agency has assigned the following rating to the Company:

Facilities	Amount (Rs. Crore)	Rating	Rating Action
Long-term bank facilities	61.00	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Assigned
Long-term/ Short-term bank facilities	27.00	CARE BBB+; Stable/CARE A2 (Triple B Plus; Outlook: Stable/ A Two)	Assigned
Total	88.00 (Rupees Eighty Eight crore only)		

The aforesaid information along with Letter issued by CARE Ratings Ltd is also available on the Company's website www.bhagyanagarindia.com.

Kindly take the same on your records.

Thanking you,
Yours faithfully,

For BHAGYANAGAR INDIA LIMITED


RACHNA KEWLIYA
COMPANY SECRETARY



CARE/HRO/RL/2018-19/1267

Mr. Devendra Surana
Managing Director
Bhagyanagar India Ltd
5th floor, Surya Towers,
Sardar Patel Road,
Secunderabad -500 003

July 10, 2018

Confidential

Dear Sir,

Credit rating for bank facilities

Please refer to your request for rating the bank facilities of your company.

2. The following ratings have been assigned by our Rating Committee:

Facilities	Amount (Rs. crore)	Ratings	Rating Action
Long-term bank facilities	61.00	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Assigned
Long-term/Short-term bank facilities	27.00	CARE BBB+; Stable/CARE A2 (Triple B Plus; Outlook: Stable/A Two)	Assigned
Total	88.00 (Rupees Eighty Eight crore only)		

3. Refer **Annexure 1** for details of rated facilities.
4. The above rating is normally valid for a period of one year from the date of our initial communication of rating to you (that is July 2, 2018)
5. 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 July 12, 2018, we will proceed on the basis that you have no any comments to offer.

CARE Ratings Limited
(Formerly known as Credit Analysis & Research Limited)

6. 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.
7. 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.
8. 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.
9. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
10. CARE ratings are **not** recommendations to sanction, renew, disburse or recall any bank facilities.
11. If you need any clarification, you are welcome to approach us in this regard. We are indeed, grateful to you for entrusting this assignment to CARE.

Thanking you,

Yours faithfully,



[Anila Gode]
Deputy Manager
Gode.anila@careratings.com



[Radhika Ramabhadran]
Senior Manager
Radhika.ramabhadran@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. External Commercial Borrowings

Sr. No.	Lender	Rated Amount (Rs. Crore)	Remarks	Debt Repayment Terms
1.	ICICI Bank	26.00	Outstanding	To be repaid in structured quarterly instalments commencing from Jan 2013
	Total	26.00		

1.B. Fund Based limits

Sr. No.	Name of Bank	Fund Based Limits (Rs. Crore)		
		CC*	Stand by Line of Credit	Total fund-based limits
1	State Bank of India	25.00	5.00	30.00
2	Kotak Mahindra Bank	3.00		3.00
3	Ratnakar Bank Limited	2.00		2.00
	TOTAL	30.00	5.00	35.00

*CC=Cash credit;

Total long-term facilities (1.A.+1.B.)- Rs. 61 crore

2. Long /Short term Facilities

2.A. Non Fund Based Limits

Sr. No.	Name of Bank	Nature of Facility	Amount (Rs. Crore)
1	State Bank of India	Letter of Credit	10.00
2	Kotak Mahindra Bank	Letter of Credit	7.00
3	Ratnakar Bank Limited	Letter of Credit	5.00
4	State Bank of India	Bank Guarantee	5.00
	TOTAL		27.00

Total short-term/long-term facilities (2.A)- Rs 27.00 crore

Total Facilities – Rs. 88.00 crore

Annexure 2
Press Release

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action
Long-term bank facilities	61.00	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Assigned
Long-term/Short-term bank facilities	27.00	CARE BBB+; Stable/CARE A2 (Triple B Plus; Outlook: Stable/A Two)	Assigned
Total	88.00 (Rupees Eighty Eight crore only)		

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Bhagyanagar India Limited (BIL) derives strength from the established track record of the group for over three decades, experienced promoters and qualified management team, established player in copper industry having long standing relationship with reputed clients, increasing trend in total operating income (TOI) during FY16-FY18 (FY refers to the period from April 01 to March 31), comfortable overall gearing and debt coverage indicators, satisfactory operating cycle with low utilisation working capital limits and moderate industry outlook. The ratings, however, are constrained by volatile operating margins that are susceptible to volatility in raw material prices with decline during FY18, foreign exchange fluctuation risk and presence in highly competitive nature of industry.

The ability of the company to improve its profitability margins and efficiently managing forex risk remain the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and qualified management team: BIL was founded by current Chairman; Mr. G M Surana in 1985 also heading the Surana Group of companies based out of Hyderabad. He is a graduate in Commerce and Law from Osmania University having about two decades of experience in Ferrous and Non-Ferrous metal industry. The Managing Director of BIL; Mr. Devendra Surana is a Mechanical Engineer from Osmania University and holds a Post Graduate Diploma in Management from IIM, Bangalore. He has been in the field of Ferrous & Non Ferrous & Telecom Industry for the more than a decade. The promoters are assisted by a team of qualified professionals.

Established track record of Hyderabad based Surana Group: Founded in 1978, the Surana Group is a Hyderabad based well diversified business conglomerate with focus on areas of Telecommunications, Copper rods, Copper Pipes, Copper Sheets, Copper Foils and Power Cables, Wind Power, Solar Power generation. The group consists of around 40 companies with overall experience of over four decades

Established player in copper industry having long standing relationship with reputed clients: BIL has been able to establish itself as one of the leading players in the copper products. The company manufactures a wide range of copper products including value added products. BIL caters to a broad spectrum of Original Equipment Manufacturer (OEM) customers in India with whom the company has developed long term business relationship catering to electrical and automobile sectors. Few of the customers include Finecab Wires and Cables Private Limited, HBL Power System Limited, Lucas TVS Limited, Toshiba Transmission and Distribution Limited, Amara Raja Power Systems Limited, V-Guard Industries Limited.

Increasing trend in total operating income during last three years: Total operating income (TOI) of the company has been increasing over last three years. TOI of the company increased at a CAGR of 24.40% for the period FY16-FY18 with significant y-o-y growth of 50.20% in FY18 over FY17 (from Rs.299.03 crore in FY17 to Rs.499.13 crore in FY18).

Comfortable overall gearing and debt coverage indicators: Overall gearing of the company as on March 31, 2018 stood at 0.39x as against 0.77x as on March 31, 2017 led by increase in networth due to accretion of profits. Other debt coverage indicators; interest coverage ratio and total debt/GCA also improved in FY18 to 4.51x and 2.72x respectively as against 2.70x and 9.38x in FY17.

Further, total free cash and bank balances as on March 31, 2018 increased significantly to Rs.11.30 crore from Rs.0.79 crore as on March 31, 2017.

Satisfactory operating cycle: The operating cycle of the company is satisfactory at 39 days in FY18 (as against 58 days in FY17). Majority of products are supplied to Original Equipment Manufacturers (OEM's) belonging to organised sector where in the credit period is on a higher side. BIL maintains inventory of about 2-3 months to meet the demand requirement from the OEM's. Collection period over the last three years was comfortable at around 1 month. The same stood at 23 days in FY18 (improved from 34 days in FY17). Further, average working capital utilisation for the last 12 months ended April 2018 is minimal at 7.54%.

Moderate industry outlook: Major customers of BIL are ancillary units/manufacturers of electrical equipment such as transformers, switch gears, cable and conductor manufacturers, automobiles etc. Demand of BIL's products is linked to the investment scenario in power sector and new infrastructure development.

Key Rating Weaknesses

Volatile operating margins due to volatility in raw material prices: The copper prices have been volatile thereby impacting the profitability margins of the company. In FY17, PBILDT margin increased by 139 bps (from 3.98% in FY16 to 5.37% in FY17) on account of better absorption of overhead costs and higher realisations vis-à-vis decline in copper prices. However, during FY18, PBILDT margin declined by 154 bps to 3.83% on account of increase in copper prices coupled with implementation of GST wherein the company had to reduce prices of its products to acquire new clients in North which resulted in reduction in in FY18.

Foreign exchange fluctuation risk: BIL is exposed to forex fluctuation risk on account of import of raw materials as well as export sales and External Commercial Borrowings. In FY18, imports formed around 34.83% of the total raw material cost whereas export sales constituted around only 0.18% of gross sales.

This makes BIL's profitability susceptible to risk associated with fluctuations in foreign exchange rate. Further, BIL is also exposed to foreign exchange fluctuation risk associated with unhedged portion of ECBs.

Highly competitive nature of industry: The copper industry is highly fragmented with presence of both organized and unorganized players in the downstream segment providing similar products/services. Hence, the bargaining power of BIL remains low due to competitive nature of the industry

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Criteria for Short Term Instruments

Rating Methodology - Manufacturing Companies

Financial ratios – Non-Financial Sector

About the Company

Bhagyanagar India Limited (BIL); incorporated in 1985 is the flagship company of the Hyderabad based Surana Group promoted by Mr. G M Surana and is listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). The company is primarily engaged in the business of manufacturing of wide range of copper products. In addition to this, BIL has also forayed into wind power generation business in 2007 and has setup seven wind turbines with total capacity of 9 MW. This apart, the company was also engaged in solar power generation and real estate business which was demerged in FY17.

In the copper division, BIL manufactures copper rods, copper foils, copper pipes, copper sheets, annealed copper strips, paper insulated copper conductors, insulated copper coils (Field Coils) etc. The copper division mainly caters to the needs of various Original Equipment Manufacturers (OEM's) and auto components industry. The products manufactured by BIL find applications in telecommunications, power & distribution, transformers, heat exchangers, switchgear & low range transformers, solar panels and auto ancillaries. On January 23, 2017, a Scheme of Arrangement was approved by High Courts of Telangana and Andhra Pradesh between BIL (demerged company) and Surana Telecom and Power Limited (1st resulting company) and Bhagyanagar Properties Limited (2nd resulting company) for demerger of Solar division and Real Estate & Infrastructure division of the company respectively w.e.f. April 01, 2016 (appointed date for demerger).

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	299.03	449.13
PBILDT	16.04	17.19
PAT	4.85	12.86
Overall gearing (times)	0.77	0.39
Interest coverage (times)	2.69	4.51

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer 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.

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/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 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
Fund-based - LT-Term Loan	-	-	October 2019	26.00	CARE BBB+; Stable
Fund-based - LT-Cash Credit	-	-	-	30.00	CARE BBB+; Stable
Fund-based - LT-Line Of Credit	-	-	-	5.00	CARE BBB+; Stable
Non-fund-based - LT/ ST-Letter of credit	-	-	-	22.00	CARE BBB+; Stable / CARE A2
Non-fund-based - LT/ ST-Bank Guarantees	-	-	-	5.00	CARE BBB+; Stable / CARE A2

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.	Fund-based - LT-Term Loan	LT	26.00	CARE BBB+; Stable	-	-	-	-
2.	Fund-based - LT-Cash Credit	LT	30.00	CARE BBB+; Stable	-	-	-	-
3.	Fund-based - LT-Line Of Credit	LT	5.00	CARE BBB+; Stable	-	-	-	-
4.	Non-fund-based - LT/ ST-Letter of credit	LT/ST	22.00	CARE BBB+; Stable / CARE A2	-	-	-	-
5.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	5.00	CARE BBB+; Stable / CARE A2	-	-	-	-