

Bodal Chemicals Ltd.

₹ 41

Changing Chemistry!**Accumulate**

Jun 06, 2014

Company Background

Bodal Chemicals started as a humble beginning in the name & style as JK Pharma a partnership firm 25 years back, what it is today can be attributed to the virtues it followed. Today Bodal boasts of an export of more than 70% of its products to more than 35 countries in the world. Bodal mainly operates in 3 segments of the chemical sector : Dye Intermediaries, Dye Stuff & Speciality & Bulk Chemicals. Over the years banking on its quality and timely deliveries, Bodal has established itself as one of the leading performers in the Dye stuff and Intermediaries segment. Over the years Bodal has well established its overseas presence and its products are well accepted both locally and in the international markets. Out of total production more than 70% is being exported to various countries like USA, UK, Germany, Spain, Turkey, China, Indonesia, Taiwan, Korea, Greece, Egypt, Portugal, Hong Kong, Italy, Bangladesh and Pakistan. Currently, Bodal produces 30 major Dye Intermediates and 150 variants in Dyestuff with a monthly capacity of 2500 MT and 1900 MT respectively.

Key Highlights

- ➔ Well reputed for its Consistency, Reliability, Quality and Timely Delivery, Bodal is one of the leading Indian Brands in the Dye intermediates and Dyestuffs market which exports more than 70% of its produce to more than 35 countries worldwide.
- ➔ Bodal is the only company in India having an in-house manufacturing facility & more than 7 manufacturing units starting from Basic Chemicals to wide range of Dye Intermediates & Dyestuffs. Bodal produces 150 dyes which are in demand in Textile, Leather, Paper, Plastic & Rubber industries worldwide.
- ➔ Bodal has nearly shown a complete turnaround from its financial position in the recent past where it was forced to apply for a financial restructuring. Rather the recent quarters have been constantly showing good figures.
- ➔ Bodal would be among the few listed chemical companies which would be beneficiaries of the news that after the 2013 Aniline Disaster China has drawn a 58 chemical list to be taken up for decisive action in its 12th Five Year Plan 22 of which are already in the SIN List of Chemicals and are likely to be phased out by 2015.

Key Financials

Year Ended 31 st	Mar 11	Mar 12	Mar 13
Revenue (INR mn)	5,715.3	6,109.5	5,282.8
Rev. growth (%)	14.62	6.90	(13.53)
EBITDA (INR mn)	615.0	201.7	344.1
Net profit (INR mn)	167.1	(283.7)	(211.7)
Shares outstanding (mn)	99.5	109.1	109.1
EPS (INR)	1.7	(2.6)	(1.9)
EPS growth (%)	(76.20)	(254.84)	(25.38)
P/E (x)	17.1	(4.0)	(3.0)
RONW (%)	25.6	(48.0)	(43.1)
ROCE (%)	5.1	(8.7)	(5.3)

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Info Codes

Reuters	: BODA.BO
Bloomberg	: BODL@IN
NSE	: BODALCHEM
BSE	: 524370

Market Data

52 Wk Range (₹)	: 4 / 42
Shares in Issue (mn)	: 109.1
Mkt. Cap (₹ bn)	: 4.375
BSE 2 Wk Avg Vol	: 99000

Share Holding Pattern (%)

Promoters	: 72.32
FII's	: 2.66
DII's	: 0.04
Others	: 24.98

Investment Theme

A loss to one is a profit to another, Bodal Chemicals is getting on track with this simple rule of nature. After the Big Aniline Disaster which took place in China at the start of 2013, the biggest supplier of Dyestuffs and Intermediaries to the world was forced to rethinking about its chemical industry. Aniline which already has a mention in the SIN List (Substitute it Now List) was taken on as a priority chemical by China to be phased out in its 12th 5 year plan. Here came the opportunity to Bodal, Bodal is already a well accepted supplier globally and has more than 7 manufacturing plants to its service, it is the only company in India which has in house manufacturing facilities starting from basic chemicals to manufacture Dyestuffs and Intermediaries. We feel companies like Bodal will have their chance to benefit the most from this policy changes in China.

Chem Show..... Majja Ma !

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 11	Mar 12	% Chg	Mar 13	% Chg
Total Sales + Excise	6185.2	6492.8	4.97	5689.1	(12.38)
Other Income	2.8	62.6	2135.71	37.6	(39.94)
Change in Stocks	252.3	(23.8)	(109.43)	(165.7)	596.22
Raw Material Con.	3859.0	4084.4	5.84	3426.0	(16.12)
Employee Exp.	299.0	319.3	6.79	316.9	(0.75)
Indirect Taxes	480.4	448.1	(6.72)	444.6	(0.78)
Other Exp.	1186.9	1478.1	24.53	1029.4	(30.36)
Operating Exp.	5573.0	6353.7	14.01	5382.6	(15.28)
Operating Profit	612.2	139.1	(77.28)	306.5	120.35
Total Interest	233.1	413.1	77.22	489.5	18.49
Gross Profit	381.9	(211.4)	(155.35)	(145.4)	(31.22)
Net Dep.	138.2	175.7	27.13	164.3	(6.49)
Total Taxation	76.6	(103.4)	(234.99)	(98.0)	(5.22)
Net Profit/Loss	167.1	(283.7)	(269.78)	(211.7)	(25.38)

4 Years Balance Sheet

(₹ mn)

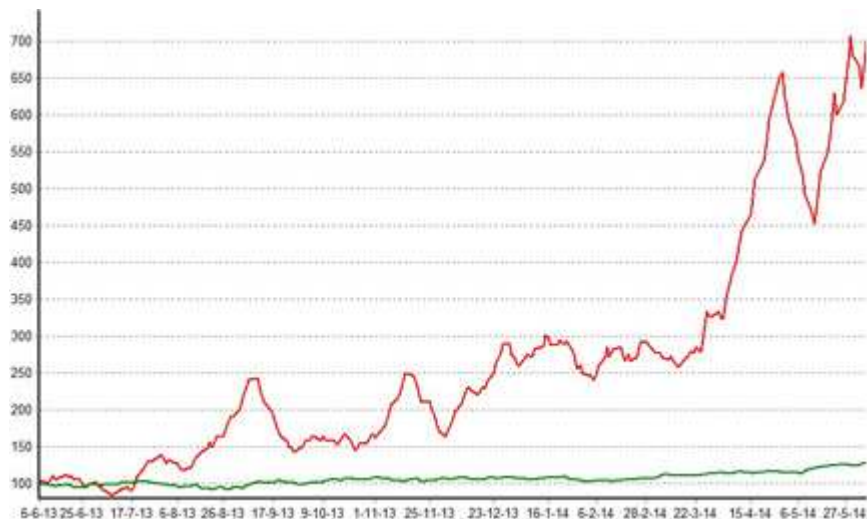
Balance Sheet as on 31 st	Mar 10	Mar 11	Mar 12	Mar 13
SOURCES OF FUNDS	3,217.6	3,668.8	3,946.6	3,965.9
Equity Share capital	199.0	199.0	218.2	218.2
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	155.0
Reserves & Surplus	379.7	590.7	378.5	166.7
Long Term Loans	1,490.4	1,690.5	1,489.8	2,554.1
Short Term Loans	1,148.5	1,188.6	1,860.1	871.9
USES OF FUNDS	3,217.6	3,668.8	3,946.6	3,965.9
Gross Block	2,343.9	3,328.0	3,538.3	3,584.6
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	477.9	615.0	773.1	936.3
Net Block	1,866.0	2,713.0	2,765.2	2,648.3
Capital Work in Progress	476.5	5.9	13.4	1.8
Investments	6.8	24.0	19.0	19.0
Current Assets	2,193.9	2,796.9	3,128.9	2,388.2
Less : Current Liabilities	1,328.0	1,872.3	1,980.9	1,092.9
Total Net Current Assets	865.9	924.6	1,148.0	1,295.3
Misc. Expenses not written	2.4	1.3	1.0	1.5
NOTE				
Bk Val Unquoted Investments	1.6	18.8	13.8	13.8
Mkt Val. Quoted Investments	0.6	0.5	0.4	0.4
Contingent Liabilities	94.9	93.4	64.3	115.4
Dividend (%)	27	27	0	0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Jun 13	Sep 13	Dec 13	Mar 14
Net Sales	1,788.70	1,945.70	2,536.70	3,324.00
Cost Of Sales	1,622.40	1,734.00	1,889.80	2,459.10
Operating Profit	166.30	211.70	646.90	864.90
Recurring Income	2.60	12.00	8.40	14.10
Adjusted PBDIT	168.90	223.70	655.30	879.00
Financial Expenses	100.70	93.40	132.00	140.30
Depreciation	40.50	40.20	111.70	60.00
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	27.70	90.10	411.60	678.70
Tax Charges	9.10	28.60	(105.50)	226.30
Adjusted PAT	18.60	61.50	517.10	452.40
Non Recurring Items	0.00	0.00	(736.00)	(7.10)
Other Non Cash Adjust	0.00	0.00	0.00	0.00
Net Profit	18.60	61.50	(218.90)	445.30

52 Week Index Relative Percentage Appreciation



Bodal 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 of the company..

➔ 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 more than 70% of its products are exported the risk return of sale is tied up to the fluctuating Rupee any appreciation in the Currency would bring in pressures on margins.

➔ Interest on Capex

The company has more than 7 units in Gujarat which has taken up a lot of capex. The company had already applied once for Finance reconstruction with the Union Bank. If the orders dont flow in as they are currently the interest pressure starts building in.

In a Nutshell

From a honest and humble beginning in 1989 as a partnership firm named JK Pharma Bodal has grown to a listed two star export house. It has gradually expanded its infrastructure to 7 units in Gujarat in the last 25 years. The promoters timely identified the need of Dyestuff and Intermediaries in the foreign market and through a very keen research launched their products internationally at the right time. Standing on the pillars of quality, commitment and timely delivery reaped benefits such that today, more than 70% of products of Bodal are exported to various countries like to various countries like USA, UK, Germany, Spain, Turkey, Indonesia, Taiwan, Korea, Greece, Egypt, Portugal, Hong Kong, Italy, Bangladesh, Pakistan and even China. China initially had a lot of interest in Aniline and Vinyl Sulphone and was the biggest supplier of the same to the world, however after the great Aniline Disaster in 2013, China has taken up Aniline as a priority chemical to be phased out by 2015 and Bodal has taken up this opportunity to be a substitute to the world. Over the last 3 quarters Bodal has shown some impressive growth figures. We suppose this growth will continue to keep the company on track for some more years to come.

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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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