

Bodal Chemicals Ltd.

₹ 31

No change in the Equation !**Buy**

Dec 12, 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. 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.
- ➔ We feel the recent downtrend in share prices is because the stake sale by one of its promoters which has suddenly increased the number of shares in the market, However the next quarter results should be quite encouraging due to reduced raw material prices which should benefit the company.

Key Financials

Year Ended 31 st	Mar 12	Mar 13	Mar 14
Revenue (INR mn)	6,109.5	5,283.4	9,583.5
Rev. growth (%)	6.9	(13.5)	81.4
EBITDA (INR mn)	201.7	344.6	1,229.9
Net profit (INR mn)	(283.7)	(211.2)	306.5
Shares outstanding (mn)	109.1	109.1	109.1
EPS (INR)	(2.6)	(1.9)	2.8
EPS growth (%)	(254.8)	(25.6)	(245.1)
P/E (x)	(4.0)	(3.0)	6.7
RONW (%)	(48.0)	(42.9)	195.6
ROCE (%)	(8.7)	(5.3)	24.4

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Info Codes

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

Market Data

52 Wk Range (₹)	: 12 / 75
Shares in Issue (mn)	: 109.1
Mkt. Cap (₹ bn)	: 3.32
BSE 2 Wk Avg Vol	: 56000

Share Holding Pattern (%)

Promoters	: 70.92
FII's	: 0.46
DII's	: 0.03
Others	: 28.59

Past Performance

Bodal was recommended with an ACCUMULATE rating at Rs 41 on June 06, 2014, it reached its target of 10% appreciation on July 02, 2014.

Investment Theme

Bodal is a largely recommended Dye Stuff manufacturer because of its large capacity and its ability to utilize inhouse most of the intermediaries it produces. Our last call was highly honoured by the markets however 2 major events happened in the meantime, one was the downtrend in Dye intermediaries and other was the heavy sale by its inactive promoter Mr. Jayanti Patel. It should be noted that along with the Dye prices the cost of its major raw material Crude is also down which will guard profitability. Also the spurt in stake sale seems to be held by Mr. Jayanti. Though this increases the risk but also the returns.

Another Buy opportunity...**Thanks Mr. Jayanti !**

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 12	Mar 13	% Chg	Mar 14	% Chg
Total Sales + Excise	6492.8	5689.6	(12.37)	10371.2	82.28
Other Income	62.6	37.7	(39.78)	(707.5)	(1976.66)
Change in Stocks	(23.8)	(166.0)	597.48	327.9	(297.53)
Raw Material Con.	4084.4	3426.0	(16.12)	6279.8	83.30
Employee Exp.	319.3	316.9	(0.75)	380.3	20.01
Indirect Taxes	448.1	444.6	(0.78)	824.6	85.47
Other Exp.	1478.1	1029.2	(30.37)	1277.0	24.08
Operating Exp.	6353.7	5382.7	(15.28)	8433.8	56.68
Operating Profit	139.1	306.9	120.63	1937.4	531.28
Total Interest	413.1	489.5	18.49	510.0	4.19
Gross Profit	(211.4)	(144.9)	(31.46)	719.9	(596.83)
Net Dep.	175.7	164.3	(6.49)	254.9	55.14
Total Taxation	(103.4)	(98.0)	(5.22)	158.5	(261.73)
Net Profit/Loss	(283.7)	(211.2)	(25.56)	306.5	(245.12)

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 11	Mar 12	Mar 13	Mar 14
SOURCES OF FUNDS	3,668.8	3,946.6	3,965.9	4,650.8
Equity Share capital	199.0	218.2	218.2	218.2
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	155.0	250.0
Reserves & Surplus	590.7	378.5	166.7	471.7
Long Term Loans	1,690.5	1,489.8	2,554.1	2,437.2
Short Term Loans	1,188.6	1,860.1	871.9	1,273.7
USES OF FUNDS	3,668.8	3,946.6	3,965.9	4,650.8
Gross Block	3,328.0	3,538.3	3,584.7	3,603.2
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	615.0	773.1	936.4	1,920.4
Net Block	2,713.0	2,765.2	2,648.3	1,682.8
Capital Work in Progress	5.9	13.4	1.8	84.5
Investments	24.0	19.0	19.0	18.7
Current Assets	2,796.9	3,128.9	2,389.7	4,272.2
Less : Current Liabilities	1,872.3	1,980.9	1,092.9	1,407.4
Total Net Current Assets	924.6	1,148.0	1,296.8	2,864.8
Misc. Expenses not written	1.3	1.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	18.8	13.8	13.8	13.5
Mkt Val. Quoted Investments	0.5	0.4	0.4	1.0
Contingent Liabilities	93.4	64.3	115.4	210.2
Dividend (%)	25	25	27	27

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Dec 13	Mar 14	Jun 14	Sep 14
Net Sales	2536.7	3324.0	3852.8	2495.0
Cost Of Sales	1889.8	2459.1	2932.1	2122.1
Operating Profit	646.9	864.9	920.7	372.9
Recurring Income	8.4	14.1	18.5	18.2
Adjusted PBDIT	655.3	879.0	939.2	391.1
Financial Expenses	132.0	140.3	94.3	59.5
Depreciation	111.7	60.0	57.3	58.0
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	411.6	678.7	787.6	273.6
Tax Charges	(105.5)	226.3	267.5	92.7
Adjusted PAT	517.1	452.4	520.1	180.9
Non Recurring Items	(736.0)	(7.1)	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Net Profit	(218.9)	445.3	520.1	180.9

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 or country of export would damage the current business of 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.

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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. The recent Bull Run which occurred in most Dye and Dye intermediary companies seems to be a little tamed down due to the fall in the global prices, however Dyes and Intermediaries are a cyclical commodity and many of them directly related to crude prices. We feel this downtrend should not hamper the profitability of the companies as the crude prices are also touching their lows which will directly translate into the reduction in Raw Material Prices.

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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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