

Bodal Chemicals Ltd.

₹ 28

*The Worst is Over!***Buy**

Jun 05, 2015

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 past have been constantly showing good figures. The Company has successfully fulfilled the CDR conditions.
- ➔ Bodal is witnessing a fall in prices because the sleeping promoters are continuously selling off the stake. Its probably because a rift with the managing promoters. The share is still holding out well to these conditions.

Key Financials

Year Ended 31 st	Dec 12	Dec 13	Dec 14
Revenue (INR mn)	2,485.2	2,036.0	2,066.4
Rev. growth (%)	6.0	(18.1)	1.5
EBITDA (INR mn)	2,322.9	1,854.8	1,912.4
Net profit (INR mn)	1,985.9	1,615.9	1,671.4
Shares outstanding (mn)	109.1	109.1	109.1
EPS (INR)	36.0	29.3	30.3
EPS growth (%)	(10.2)	(18.6)	3.4
P/E (x)	0.3	0.2	0.6
RONW (%)	12.4	9.0	8.6
ROCE (%)	12.3	8.6	8.0

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Info Codes

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

Market Data

52 Wk Range (₹)	: 75 / 25
Shares in Issue (mn)	: 109.1
Mkt. Cap (₹ bn)	: 3.07
BSE 2 Wk Avg Vol	: 80000

Share Holding Pattern (%)

Promoters	: 69.88
FII's	: 0.00
DII's	: 0.04
Others	: 30.08

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 rethink 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 companies, 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 policy changes in China.

Slow & Steady Transformation

Financial Statements

Income Statement

(₹ mn)

Year end	Dec 12	Dec 13	% Chg	Dec 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)

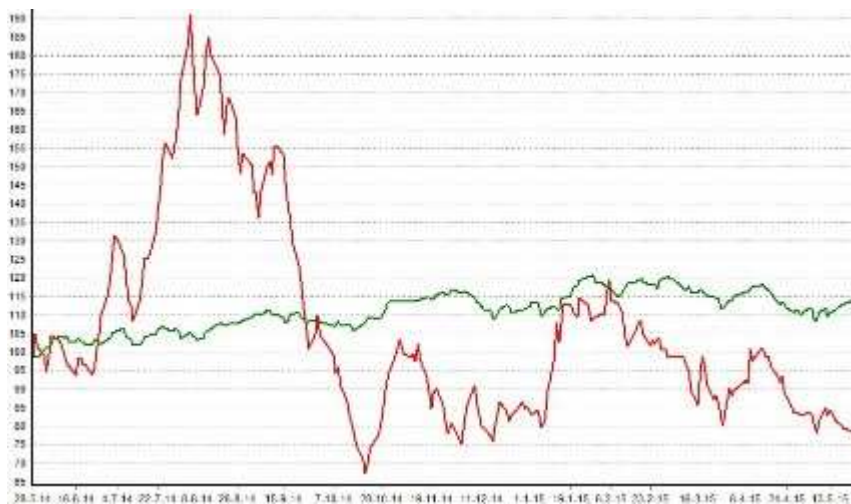
Balance Sheet as on 31 st	Dec 11	Dec 12	Dec 13	Dec 14
SOURCES OF FUNDS	3,668.8	3,845.6	3,653.7	4,645.1
Equity Share capital	199.0	218.2	218.2	218.2
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	155.0	250.0
Reserves & Surplus	590.7	277.5	(145.5)	466.0
Long Term Loans	1,690.5	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	3,845.6	3,653.7	4,645.1
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	(100.0)	(312.2)	(5.7)
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 (%)	27	0	0	0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 14	Jun 14	Sep 14	Dec 14
Net Sales	3,324.00	3,852.80	2,495.00	1,757.00
Cost Of Sales	2,459.10	2,932.10	2,122.10	1,503.50
Operating Profit	864.90	920.70	372.90	253.50
Recurring Income	14.10	18.50	18.20	7.20
Adjusted PBDIT	879.00	939.20	391.10	260.70
Financial Expenses	140.30	94.30	59.50	58.70
Depreciation	60.00	57.30	58.00	60.70
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	678.70	787.60	273.60	141.30
Tax Charges	226.30	267.50	92.70	13.80
Adjusted PAT	452.40	520.10	180.90	127.50
Non Recurring Items	(7.10)	0.00	0.00	0.00
Other Non Cash Adjust	0.00	0.00	0.00	0.00
Net Profit	445.30	520.10	180.90	127.50

52 Week Index Relative Percentage Appreciation



Bodal vs SENSEX

About the Project

➔ 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. For the last few quarters Bodal is showing a steady growth in operations. 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

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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