

Bodal Chemicals Ltd.

₹ 111

*Let your Portfolio Dye a little!***Buy**

Aug 19, 2016

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. It mainly operates in 3 segments: 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 a leading Indian Brands in Dye intermediates and Dyestuffs market which exports more than 70% of its produce to more than 35 countries 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.
- ➔ Though the Company did not pay any Dividend since the last 4 years. In the Last 365 days Bodal has announced 45% of Dividend which shows that it has turned around from a haunting past & is focussed on a prosperous future.
- ➔ 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.
- ➔ To gain from overall growth in the sector, Bodal has taken a significant holding in some of its competitors and is also eyeing for a buyout of some others.

Key Financials

Year Ended 31 st	Mar 13	Mar 14	Mar 15
Revenue (INR mn)	5,727.9	10,408.2	11,331.2
Rev. growth (%)	(12.66)	81.71	8.87
EBITDA (INR mn)	111.5	247.6	1,189.7
Net profit (INR mn)	(211.2)	306.5	920.2
Shares outstanding (mn)	186.6	234.1	234.1
EPS (INR)	0.0	2.8	8.4
EPS growth (%)	-	-	200.00
P/E (x)	-	6.73	4.00
RONW (%)	0.00	147.79	79.91
ROCE (%)	0.00	38.82	38.74

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Info Codes

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

Market Data

52 Wk Range (₹)	: 27 / 115
Shares in Issue (mn)	: 234.1
Mkt. Cap (₹ bn)	: 11.90
BSE 2 Wk Avg Vol	: 173000

Share Holding Pattern (%)

Promoters Holding	: 67.35
Corporate Holding	: 0.00
Domestic Institution	: 1.21
Foreign Institution	: 00.00
Public & Others	: 31.44

Past Performance

Recommended on Jun 05, 2015 at Rs 28, Appreciated 3.5 times in 365 days.

Investment Theme

The Catalytic Change in Chemical Sector of India especially Dye stuff and Dye Intermediaries has taken place in the last few years with Chemical Disasters in China. Public Pressure to close Chinese Units and China which once used to be a giant exporter of Dye intermediaries turning out to be a net Importer in them. Companies like Bodal have used these conditions to own benefir. Bodal which was struggling for existence a few years back is back in place and growing. With one of the best Environmental Practises followed by it in the Industry, the company is stable on the most important front which usually risks the sector. The turnaround shown by Bodal in the last two years seems there is a lot of growth yet to come in the Company.

Appreciated but more Expected.

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 13	Mar 14	% Chg	Mar 15	% Chg
Net Sales	5,238.3	9,595.0	83.2	10,453.1	8.9
Other Income	38.9	37.1	(4.6)	47.2	27.2
Change in Stocks	(159.8)	279.4	(274.8)	(200.4)	(171.7)
Raw Material Con.	3,537.7	6,453.6	82.4	6,378.7	(1.2)
Employee Exp.	317.0	380.3	20.0	589.9	55.1
Indirect Taxes	450.7	776.1	72.2	830.9	7.1
Other Exp.	564.4	1,111.8	97.0	610.5	(45.1)
Operating Exp.	4,869.8	8,721.8	79.1	8,410.0	(3.6)
Operating Profit	247.6	1,189.7	380.5	1,889.9	58.9
Total Interest	391.9	466.4	19.0	272.8	(41.5)
Gross Profit	(144.3)	723.3	(601.2)	1,617.1	123.6
Net Dep.	164.3	252.5	53.7	222.5	(11.9)
Total Taxation	(97.4)	164.3	(268.7)	474.4	188.7
Net Profit/Loss	(211.2)	306.5	(245.1)	920.2	200.2

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 12	Mar 13	Mar 14	Mar 15
SOURCES OF FUNDS	3,951.6	3,970.4	4,656.5	3,946.1
Equity Share capital	218.2	373.2	468.2	468.2
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	375.7	164.5	471.0	1,390.1
Secured Loans	3,161.6	3,377.6	3,424.3	2,080.3
Unsecured Loans	196.1	55.1	293.0	7.5
USES OF FUNDS	3,951.6	3,970.4	4,656.5	3,946.1
Gross Block	3,538.3	3,584.7	3,603.0	4,039.1
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	773.1	936.3	1,920.2	2,141.7
Net Block	2,765.2	2,648.4	1,682.8	1,897.4
Capital Work in Progress	13.4	1.6	84.5	32.7
Investments	19.1	19.1	18.8	33.3
Current Assets	2,755.1	1,894.4	3,969.7	3,227.3
Less : Current Liabilities	1,655.7	746.3	1,310.3	1,316.3
Total Net Current Assets	1,099.4	1,148.1	2,659.4	1,911.0
Misc. Expenses not writtenoff	54.5	153.2	211.0	71.7
NOTE				
Book Value of Unquoted Investments	18.7	18.7	18.4	18.4
Market Value of Quoted Investments	0.4	0.4	1.0	13.1
Contingent Liabilities	106.3	152.2	184.9	161.8
Dividend (%)	0.0	0.0	0.0	0.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Sep 15	Dec 15	Mar 16	Jun 16
Net Sales	9,357.3	10,367.2	11,718.8	8,993.2
Cost Of Sales	7,545.5	8,487.1	9,814.5	8,105.0
Operating Profit	1,811.8	1,880.1	1,904.3	888.2
Other Income	892.9	462.8	478.8	1,431.3
Adjusted PBDIT	2,704.7	2,342.9	2,383.1	2,319.5
Financial Expenses	1,755.9	1,702.0	1,766.0	1,796.4
Depreciation	350.6	333.8	316.7	327.6
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	598.2	307.1	300.4	195.5
Tax Charges	213.8	113.3	109.0	86.7
Reported Profit	384.4	193.8	191.4	108.8
Extra Ordinary Items	(290.6)	341.7	167.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	93.8	535.5	358.4	108.8

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 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. The best part of Bodal is it consumes most of the chemicals its produces as intermediaries to manufacture Dyestuff so it is not worried or concerned about any rise in those in the outside market. 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 and Bodal has taken up this opportunity to be a substitute to the world. Over the last few years it has restructured all loans, For the last few quarters Bodal is showing a steady growth in operations and has stood out like a turn around company. 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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