

Bodal Chemicals**₹161****Colours...Integration...Innovation...!!! Buy**

Jun 16, 2017

Company Background

Bodal Chemicals Limited is an India-based holding company. The Company, through its subsidiaries, is engaged in manufacturing of dyes intermediates, dyestuffs, and basic chemicals. Bodal's geographic segments include domestic operations and external operations. It produces a range of chemicals, which are used as raw materials for dye intermediates and dyestuff. Bodal is the only company in India having an in-house manufacturing facility & more than 9 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. The Company's manufacturing plants are located in Vatva, Ahmedabad; Bharuch, Gujarat, and Vadodara, Gujarat. The Company exports its products to China, Korea, Thailand, Taiwan, Japan and Europe. The company was formerly known as Dintex Dyechem Limited and changed its name to Bodal Chemicals Limited in May 2006.

Key Highlights

- ➔ Bodal Chemicals standalone net profit rose 42.32% in March 2017 quarter.
- ➔ It commands a market share of 3% of the global and 10% of the domestic dyestuff industry. In terms of dye intermediates, its market share is at 5% at the global level and 20% domestically.
- ➔ The Board of Directors has Nominated its Nomination and Remuneration Committee to draft scheme for ESOP Scheme and recommend Employee Stock Options Scheme for the employees of the Company.
- ➔ On the basis of parameters like, Growth, Efficiency, Safety, Dalal Street Investment's Journal 150 announced, Top 150 Indian Cos. which created wealth for their promoters, shareholders & society. Bodal has secured 57th Rank.
- ➔ Its position in the industry and lucrative expansion plans, make us believe that, the company could report 19% CAGR growth both in revenue and PAT. GST can help in long run for chemical industry.
- ➔ 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 15	Mar 16	Mar 17
Revenue (INR mn)	10,408.2	11,331.2	10,008.2
Rev. growth (%)	81.71	8.87	(11.68)
EBITDA (INR mn)	247.6	1,189.7	1,889.9
Net profit (INR mn)	306.5	920.2	866.0
Shares outstanding (mn)	234.1	234.1	109.1
EPS (INR)	2.8	8.4	7.8
EPS growth (%)	-	200.00	(7.35)
P/E (x)	6.73	4.00	9.38
RONW (%)	147.79	79.91	43.26
ROCE (%)	38.82	38.74	37.08

Nishant Chopra

nishantc@indiratrade.com

Info Codes

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

Market Data

52 Wk Range (₹)	: 94 / 172
Shares in Issue (mn)	: 109.1
Market. Cap (bn)	: 17.62
BSE 2 Wk Avg Vol	: 60000

Share Holding Pattern (%)

Promoters Holding	: 64.17
Public & Others	: 31.31
Corporate Holding	: 00.11
Foreign Institution	: 04.41

Investment Theme

Bodal has very good environmental compliance. There is 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. Implementation of the GST (w.e.f 01 July, 2017) would be used for purposes of credit flow of IGST on import of goods, and refund or rebate of IGST related to export of goods. GST implementation, considering the fact that Indian chemical industries have continued facing severe challenges owing to the mounting taxations. Almost every predictable impact of GST on the Indian industrial sector looks positive, especially for the chemicals industry. Chemicals in India have long suffered the wrath of added taxations on their production capacity as well as their consumption demands. As seen sales figure came down, but we hope GST can help to move up the chemical sector.

**Most Integrated
Indian Dyestuff company !!!**

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 14	Mar 15	% Chg	Mar 16	% Chg
Net Sales	9,595.0	10,453.1	8.9	9,098.3	(13.0)
Other Income	37.1	47.2	27.2	120.1	154.4
Change in Stocks	279.4	(200.4)	(171.7)	101.6	(150.7)
Raw Material Con.	6,453.6	6,378.7	(1.2)	5,806.2	(9.0)
Employee Exp.	380.3	589.9	55.1	515.9	(12.5)
Indirect Taxes	776.1	830.9	7.1	789.8	(4.9)
Other Exp.	1,111.7	610.5	(45.1)	509.6	(16.5)
Operating Exp.	8,721.7	8,410.0	(3.6)	7,621.5	(9.4)
Operating Profit	1,189.8	1,889.9	58.8	1,698.5	(10.1)
Total Interest	466.4	272.8	(41.5)	122.0	(55.3)
Gross Profit	723.4	1,617.1	123.5	1,576.5	(2.5)
Net Dep.	252.6	222.5	(11.9)	257.9	15.9
Total Taxation	164.3	474.4	188.7	452.6	(4.6)
Net Profit/Loss	306.5	920.2	200.2	866.0	(5.9)

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 13	Mar 14	Mar 15	Mar 16
SOURCES OF FUNDS	3,970.4	4,656.5	3,946.1	3,824.4
Equity Share capital	373.2	468.2	468.2	218.2
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	164.5	471.0	1,390.1	2,177.2
Secured Loans	3,377.6	3,424.3	2,080.3	1,396.1
Unsecured Loans	55.1	293.0	7.5	32.9
USES OF FUNDS	3,970.4	4,656.5	3,946.1	3,824.4
Gross Block	3,584.7	3,603.0	4,039.1	4,231.3
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	936.5	1,920.2	2,141.6	2,389.7
Net Block	2,648.2	1,682.8	1,897.5	1,841.6
Capital Work in Progress	1.8	84.5	32.4	2.7
Investments	19.1	18.8	33.3	33.3
Current Assets	1,894.4	3,969.7	3,227.7	3,038.9
Less : Current Liabilities	746.3	1,310.3	1,316.3	1,147.9
Total Net Current Assets	1,148.1	2,659.4	1,911.4	1,891.0
Misc. Expenses not writtenoff	153.2	211.0	71.5	55.8
NOTE				
Book Value of Unquoted Investments	18.7	18.4	18.4	18.4
Market Value of Quoted Investments	0.4	1.0	13.1	14.0
Contingent Liabilities	152.2	184.9	161.8	173.9
Dividend (%)	0.0	0.0	0.0	30.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Jun 16	Sep 16	Dec 16	Mar 17
Net Sales	2,671.1	3,389.7	2,722.4	2,877.9
Cost Of Sales	2,140.8	2,848.8	2,229.2	2,363.4
Operating Profit	530.3	540.9	493.2	514.5
Other Income	39.1	48.8	79.0	77.7
Adjusted PBDIT	569.4	589.7	572.2	592.2
Financial Expenses	19.0	18.9	15.6	12.9
Depreciation	57.8	63.8	65.8	68.4
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	492.6	507.0	490.8	510.9
Tax Charges	170.5	175.8	175.2	189.4
Reported Profit	322.1	331.2	315.6	321.5
Extra Ordinary Items	0.0	0.0	39.8	8.8
Other Non Cash Adjust	0.0	0.0	14.2	3.2
Adjusted Net Profit	322.1	331.2	290.0	315.9

52 Week Index Relative Percentage Appreciation



Bodal vs SENSEX

Risks Associated

- Bodal Chemicals has major market share in India for dyestuff industry & dye intermediates 10% & 20% respectively. Increase in the competition can eat the market share.
- Major raw materials to the company are always under inflationary pressure this is usually due to supply and demand of the raw materials.
- Implementation of the GST (from 01 July, 2017) would be used for purposes of credit flow of IGST on import of goods, and refund or rebate of IGST related to export of goods.
- If any changes in environmental laws by state, country and International as Bodal has international market share, It may impact business.
- GST implementation, considering the fact that Indian chemical industries have continued facing severe challenges owing to the mounting taxations.
- Almost every predictable impact of GST on the Indian industrial sector looks positive, especially for the chemicals industry. Chemicals businesses in India have long suffered the wrath of added taxations on their production capacity as well as their consumption demands.

Bodal **In a Nutshell**

Bodal Chemicals has its manufacturing units across Gujarat, where it manufacture different products under multiple delivery systems. The company was formerly known as Dintex Dyechem Limited and changed its name to Bodal Chemicals Limited in May 2006. At present it has total 9 Manufacturing units in Gujarat, Ahmedabad, Vadodara & Ankleshwar. It's Manufacturing units have developed products for Textile, Paper, Plastic, Leather and many other specialty chemicals. Bodal has its presence not only in India but across the Globe and serving 50+ countries with its Innovative products and services. It is coupled with it's technical know-how, & expertise in manufacturing of Dyes Intermediate & other Specialty Chemicals, its growth is propelled with the support of team members and management professionals, who work diligently to take the organization to newer heights year-on-year. Bodal's position in the industry and lucrative expansion plans, make us believe that, the company could report ~19% CAGR growth both in revenue and PAT, with an EBITDA margin in the range of 17-18% during the FY17-FY19E period. Bodal Chemicals Ltd has invested and acquired approx 42% stake in Trion Chemicals Pvt. It's announced that rating agency it has upgraded the credit rating for the long term bank facilities of the company to CARE A from CARE A-. Given its integrated business model and diversification into specialty chemicals, we believe the stock is available at attractive valuation of 11.1x/9.7x FY18E/FY19E earnings. For superior RoE of 27-30%, we feel the company should warrant higher multiples. We are valuing company at 13x FY19E earnings implying upside of 33%.

Indira Group Offices

Registered Office : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

Tel : 022-66224202 **Fax** : 022-66224201 **Email** : im@indiratrade.com

Administrative Office : 204-205 "Amardarshan" 28/2 Old Palasia, Indore (MP) 452018

Tel : 0731-4097170 **Fax** : 0731-4215999 **Email** : customercare@indiratrade.com

Institutional Dealing Unit : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

Tel : 022-66224209 **Fax** : 022-66224201 **Email** : ie@indiratrade.com

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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