

19 January 2018

Initiating Coverage (BUY)

# BODAL CHEMICALS LTD

CMP

INR 164

Target Price

INR 202

## Stock Details

Industry	SPECIALTY CHEMICALS
Bloomberg Code	BODL:IN
BSE Code	524370
Face Value (Rs.)	2.00
Market Cap. (Rs. mn)	20,037.5
52wk. Low/High (Adjusted) ( (Rs.)	127.15/193.60

## Shareholding Pattern Dec '17

Promoter (%)	54.93
FII (%)	0.00
DII (%)	0.00
Public - Other (%)	45.07
No. of Share Outstanding (mn)	122.18

## Valuation Summary

	FY 16A	FY 17A	FY 18P	FY 19P
P/E (x)*	09.31	13.91	15.00	15.00
EV/EBITDA (x)	2.45	4.95	8.59	7.49
P/BV (x)	2.08	3.41	5.58	4.87

\*TTM for Current Year

 Based on Market Price as on 1<sup>st</sup> Apr is taken for Each FY

## Key Financial

Rs. Mn	FY 16A	FY 17A	FY 18P	FY 19P
Net Sales	9,100	12,363	14,217	15,924
EBITDA	1,888	1,618	2,326	2,829
Net Profit	860	1,286	1,518	1,648
EPS (Rs.)*	07.9	11.8	12.4	13.5

\*Un adjusted

## Key Ratios

	FY 16A	FY 17A	FY 18P	FY 19P
EBITDA Margin (%)	17.5	18.7	19.7	18.8
EBIT Margin (%)	14.7	16.4	17.6	16.9
Net Pro. Margin (%)	9.3	10.3	10.6	10.3
Debt/Equity (x)	0.00	0.02	0.02	0.01
RoNW (%)	41.3	43.3	36.7	30.4
RoCE (%)	32.4	40.3	34.4	28.9

One Year Price / Volume



We recommend 'BUY' on BODAL CHEMICALS for a target of INR 202 - valuing the company at P/E 15x of FY19E Earning.

## INVESTMENT RATIONALE:

- Bodal is well positioned to meet the world's rapidly changing dye and chemical industry.
- Leveraging three decades of industry experience, it continue to build a robust brand that customers believe in.
- Among the India's Leading manufacturers and the country's most integrated player.
- Proactive in building business model, adapting to meet the environment norms and build a sustainable business.
- It emerged as the most preferred dyestuff and intermediates' supplier to leading MNCs based on their integrated business model.
- Investments of Rs400 million in setting up effluent treatments plants, ensure that it remain among the world's most recognized and clean producers of dyestuff.
- Continue to attract and retain the best talent towards their organization, and invest adequately in strengthening their skills.
- Financial discipline remains one of the strong operating drivers for the Company.
- Providing the fastest and finest product & service solutions to our customers.

## VALUATIONS AND VIEW:

Bodal is among world's largest manufacturer and exporter of Dyes Intermediate, Dyestuff and Sulphuric Acid, with vertically and horizontally integrated who provides product solutions and service solution on fastest possible route to their customers. **We value the business at 15x FY19E EPS and recommend a BUY rating on the stock with a target price of INR 202 per share.**

## RISK & CONCERNS:

- **Geographical risk:** The Company is present in India and across the globe and serves more than 50 countries. The Company offers end-to-end solutions to the customers globally
- **Strategy risk:** In an environment where industry changes occur rapidly and competition is intense, continuous introduction of innovative products and processes helps the Company to maintain or gain its market share.
- **Regulatory risk:** A highly regulated chemical industry with stringent environment norms may have an adverse impact on the performance of the Company. Hence, the Company with its decades of experience follows best in class process controls and systems and is always ready to adapt to any changes in government regulations.
- **Customer risk:** Innovative products are developed according to our consumers' requirements to meet their demand for quality, choice and value.

## COMPANY BACKGROUND:

Bodal Chemicals Limited is an Integrated and Innovative company, offering end-to-end solution to customers globally. It is among world's largest manufacturer and exporter of Dyes Intermediate, Dyestuff and Sulphuric Acid, with vertically and horizontally integrated who provides product solutions and service solution on fastest possible route to their customers. At present, the Company has nine manufacturing units in Gujarat, four in Ahmedabad, three in Vadodara and two in Ankleshwar where products for textiles, paper, plastic, leather and many other specialty chemicals are produced.

Bodal Chemicals Limited having its presence not only in India but across the Globe and serving to 50+ countries with its Innovative products and services. It is coupled with 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.

### Products-

- Dyes
- Dye Intermediates
- Other/Basic Chemicals

## INDUSTRY OVERVIEW:

Indian chemical industry is the third largest producer in Asia & sixth by output in the world. The chemical industry in India is a key constituent of Indian economy, accounting for about 2.11 per cent of the GDP. Indian chemical industry could grow at 11 per cent p.a. to reach a size of USD224 billion by 2017. More than 70,000 commercial products such as petrochemicals & basic chemicals are covered under the chemical sector. The major segments of the Indian chemical industry are base chemicals which includes petrochemicals, man-made fibers, industrial gases, fertilisers, chlor-alkali, other organic & inorganic chemicals and specialty chemicals comprises of dyes and pigments, leather chemicals, construction chemicals, personal care ingredients and other specialty chemicals.

## PEER COMPARISON

Company	CMP (Rs)	P/E*	Mcap (Rs Cr)	Div Yld (%)	NP Qtr (Rs Cr)	Qtr Profit Var (%)	Sales Qtr (Rs Cr)	Qtr Sales Var (%)	CMP/BV
Pidilite Inds.	910	55.6	46,670.9	0.52	252.9	9.38	1,529.9	7.91	11.81
Kiri Indus.	166	20.3	1,929.0	-	92.6	7.57	268.1	(3.79)	5.24
Solar Inds.	1,161	51.7	10,503.2	0.43	48.3	(3.71)	408.4	1.33	10.13
Meghmani Organ.	119	19.5	3,036.3	0.34	55.1	57.85	460.7	18.72	3.72
Himadri Specialt	189	52.1	7,897.5	0.05	51.2	168.70	468.0	36.95	6.70
Vinati Organics	974	37.5	5,004.2	0.05	29.2	(4.99)	160.7	14.92	6.76
NOCIL	220	29.2	3,614.8	0.81	38.1	39.50	227.6	25.52	5.42
<b>Bodal Chemicals</b>	<b>164.0</b>	<b>15.0</b>	<b>2,003.8</b>	<b>0.42</b>	<b>26.2</b>	<b>(27.01)</b>	<b>262.5</b>	<b>(23.09)</b>	<b>5.58</b>

\*TTM

## FINANCIAL OVERVIEW

### Q4 FY17 Performance Highlight

(in Million)	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	YoY (%)	QoQ (%)
Revenue	3,573.58	2,974.29	2,905.28	2,946.24	2,625.07	-26.54%	-10.90%
Other Income	16.43	4.7	41.66	47.85	17.88		
Total Income	3,590.01	2,978.99	2,946.94	2,994.09	2,642.95	-26.38%	-11.73%
Expenditure	-2,988.79	-2,406.83	-2,367.52	-2,453.84	-2,170.60		
As a % of Sales	83.64%	80.92%	81.49%	83.29%	82.69%		
Interest	-18.91	-15.57	-12.9	-17.09	-9.16	-51.56%	-46.40%
PBDT	582.32	556.6	579.42	540.25	472.35		
As a % of Sales	16.30%	18.71%	19.94%	18.34%	17.99%		
Depreciation	-60.74	-65.91	-68.59	-61.38	-63.64		
PBT	521.58	490.69	510.83	478.87	408.71	-21.64%	-14.65%
As a % of Sales	14.60%	16.50%	17.58%	16.25%	15.57%		
Tax	-181.11	-175.11	-189.37	-167.37	-146.95	-18.86%	-12.20%
Net Profit	340.47	315.58	321.45	311.5	261.76	-23.12%	-15.97%
As a % of Sales	9.53%	10.61%	11.06%	10.57%	9.97%		
Equity	218.22	218.22	218.22	--	--	#VALUE!	#VALUE!
EPS (Rs)	3.12	2.89	2.95	2.85	2.39	-23.40%	-16.14%
CEPS (Rs)	3.68	3.5	3.57	--	--		
OPM %	16.82	19.24	19.94	18.34	17.99		
NPM %	9.53	10.61	11.06	10.57	9.97		

## Income Statement (Consolidated)

Y/E Mar (Rs mn)	FY 14A	FY 15A	FY 16A	FY 17A	FY 18E	FY 19P	FY 20P
<b>Net Sales</b>	9,595	10,453	9,100	12,363	14,217	15,924	17,197
Other Operating Income	37	46	120	68	133	129	155
<b>Expenditure</b>	7,707	8,612	7,602	10,105	11,521	13,033	13,966
<b>EBITDA</b>	1,925	1,888	1,618	2,326	2,829	3,020	3,386
Depreciation	253	223	258	289	308	310	312
<b>EBIT</b>	1,672	1,665	1,360	2,037	2,521	2,710	3,074
Interest Expenses	469	273	122	87	145	137	162
<b>PBT</b>	1,203	1,392	1,238	1,950	2,376	2,572	2,912
Tax	164	474	445	712	857	924	1,040
Other Income	-	-	-	-	-	-	-
Extraordinary Items	(737)	-	68	49	-	-	-
<b>Net Income Before Adjustment</b>	302	918	860	1,286	1,518	1,648	1,872
Minority Int./Income from Assoc.	-	-	-	1	-	-	-
<b>Adjusted PAT</b>	302	918	860	1,286	1,518	1,648	1,872

## Balance Sheet (Consolidated)

Y/E Mar (Rs mn)	FY 14A	FY 15A	FY 16A	FY 17A	FY 18E	FY 19P	FY 20P
Equity share capita	468	468	218	218	218	218	218
Reserves & surplus	430	1,347	2,128	3,374	4,463	5,960	7,660
Share Warrants	-	-	-	-	-	-	-
<b>Net worth</b>	898	1,815	2,346	3,593	4,681	6,178	7,879
Minority Interest	-	-	-	18	-	6	7
Share Application Money	1	-	-	-	-	-	-
<b>Loan Funds</b>	2,158	862	7	79	81	79	77
Net deferred tax liability	-	123	154	190	190	190	190
Other Long-term Liabilities	-	1	-	-	-	-	-
<b>Total Liabilities</b>	3,057	2,801	2,507	3,880	4,952	6,454	8,154
<b>Net block</b>	1,768	1,931	1,922	2,306	2,039	1,768	1,493
<b>Investment, Loan &amp; Adv.</b>	188	184	102	604	550	612	661
<b>Total Current Assets</b>	3,970	3,228	3,074	4,065	6,167	8,281	10,511
<b>Current Liabilities &amp; Provisions</b>	2,869	2,542	2,592	3,097	3,805	4,209	4,513
<b>Net Current Assets</b>	1,101	686	482	968	2,362	4,072	5,998
<b>Total Assets</b>	3,057	2,801	2,507	3,880	4,952	6,454	8,154

## Cash Flow (Consolidated)

Y/E Mar (Rs mn)	FY 17A	FY 18E	FY 19P	FY 20P
<b>Operating Cash Flow</b>	1,129	1,558	1,770	2,103
<b>Cash Flow from Investments</b>	(767)	10	(104)	(89)
<b>Cash Flow from Financing</b>	(228)	(54)	(94)	(187)
<b>Net Changes in Cash</b>	134	1,514	1,573	1,828
Opening Cash	11	145	1,660	3,233
<b>Closing Cash Balance</b>	145	1,660	3,233	5,060

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