

## Company Details

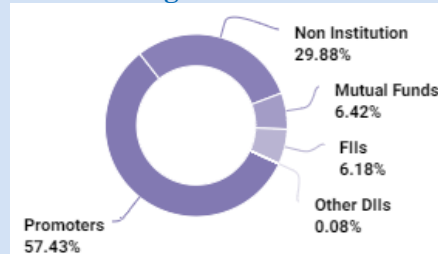
CMP:	Rs.126.7
Face value:	Rs.2
Market cap:	Rs.1,548.74 Crs.
TTM EPS	Rs.12.47
52 week high:	Rs.156.25
52 week low:	Rs.89.70
BSE Code:	524370
Sector	Specialty Chemicals

## Consolidated 9M

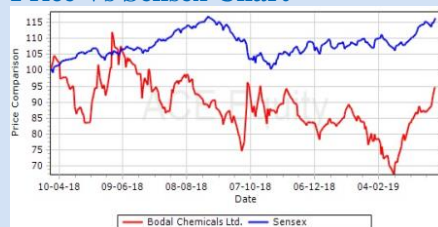
### Financial Highlights (YoY)

Rs. in crores	9M FY19	9M FY18	% Var
Net Sales	1079.20	872.89	23.6%
Total Expendit	886.91	723.42	22.6%
PBDIT	192.29	149.47	28.6%
Op.Profit	198.25	156.14	27.0%
OPM (%)	18.4%	17.9%	2.7%
PBT	176.46	129.99	35.7%
PAT	112.80	85.08	32.6%
EPS (Rs.)	9.23	6.96	32.6%
Equity	24.44	24.44	0.0%

## Shareholding Pattern



## Price Vs Sensex Chart



## Research Analyst

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Satco Capital Markets Ltd.

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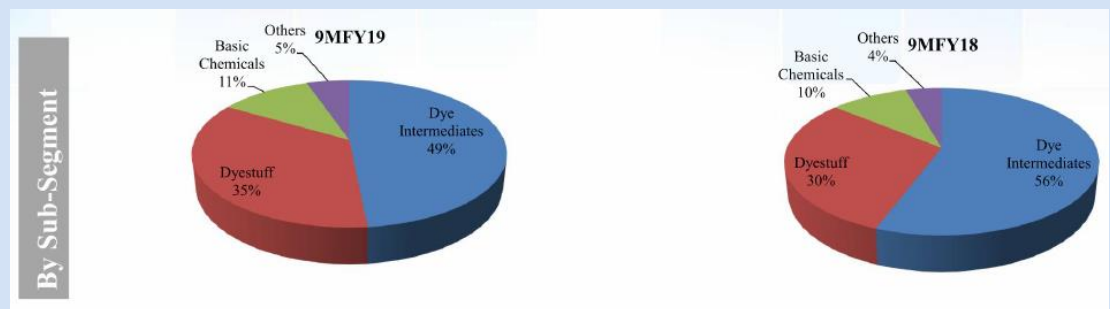
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## Company Background

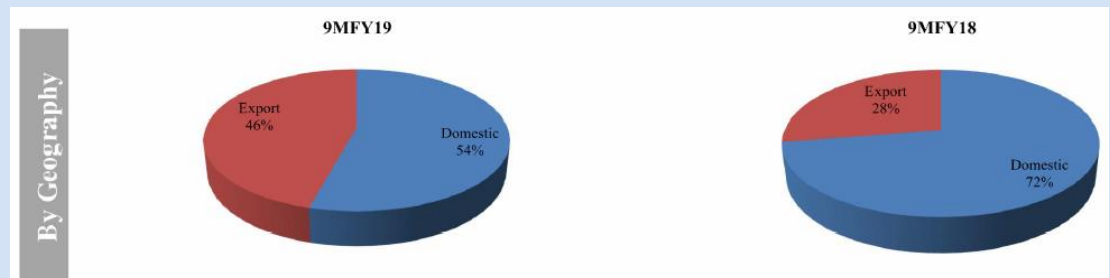
**Bodal Chemical Ltd.**, a Gujarat based company incorporated in 1989, commenced its operation by setting up a small Vinyl Sulphone Plant in Vatva which has now expanded to more than 16000 MTPA. The company manufactures Dye Intermediates, Dyestuffs and Sulphur & Bulk Chemicals in their 9 manufacturing units in Gujarat, 1 at Uttar Pradesh and 4 Depots across in India. The company has four fully owned subsidiaries, viz. SPS Processors Pvt. Ltd. (SPS), Trion Chemicals Pvt. Ltd. (TCPL), Bodal Chemicals Trading Private Limited (recently added) and Bodal Chemicals Trading (Shijiazhuang) Co. Ltd. (recently added). The products of the company are used by Textiles, Leather, Paper, Detergent and water treatment companies.

**SPS Processors Ltd** is engaged in manufacturing of dye intermediates and has manufacturing plant in Kosi, UP with a capacity to produce 3,000 TPA of H-Acid, a key Dye Intermediate. It has all necessary permissions to manufacture Vinyl Sulphone another Key Dye Intermediate as well as Dyestuff, at the same plant.

**Trion Chemicals Pvt. Ltd.**, is engaged in manufacture of Specialty Chemicals, viz. disinfectant, algaecide and bactericide mainly for swimming pools and water treatment; also used as a bleaching agent in the textile industry. Its business is focused on the US market and secured EPA Licence in USA for environment protection.



The Basic Chemical plant has annual capacity of 226,000 MT and running at 98% utilization, whereas, the Dye Intermediates and Dyestuff plant has capacity of 33,000MT and 35,000MT respectively which is running at 75% and 63% capacity utilization respectively for 9MFY19. Dyestuff production grew by 3% YoY in Q3FY19 while Dye intermediates and Basic Chemicals production declined by 14% and 1% respectively.



Total Exports of the company were up by 78% YoY at Rs. 152.9 crores in Q3FY19 from Rs. 85.7 crores in Q3FY18. This was result of increased efforts by the company to further enhance presence in different geographies.

## Financial Performance

The company has reported Net sales of Rs. 1079.20 crore during 9M FY19 higher by 23.6% against Rs. 872.89 crore during 9M FY18. In Q3 FY19, the total production remained flat YoY at 46,798 MT mainly due to plant shutdown because of maintenance and environmental aspects. The company witnessed flat sales growth of 9% YoY, whereas the PBITDA margin for Q3 FY19 remained consistent at ~17.3% showing strength of the integrated business. The **Operating profit was at Rs.198.25 crore in 9M FY19 up by 27% against that of Rs.156.14 crores in 9M FY18. The EPS has improved from Rs. 6.96 in 9M FY18 to Rs. 9.23 in 9M FY19.**

## Investment Rationale

- The company has commissioned Thionyl Chloride (TC) with a capacity of 36,000 tons per year; the plant is backward integration for Vinyl sulphone as well as forward integrated for sulphuric acid. The commercial production is expected to start by end of

Q4FY19.

- The company is on track to further expand dyestuff (powder) capacity by 6000 MTPA at Unit-7, and the same is expected to become operational by Q1FY20. The total Dyestuff capacity (powder) of the company will be 35,000 MTPA after the expansion.
- The capex for FY19 is going to be on track and for next year the management has yet to finalize the capex for the new site that is near Dahej.
- SPS Processors Ltd, a subsidiary co. posted loss in Q3FY19 mainly due to decline in H Acid price and management is working to improve its performance. The production at TRION Chemicals has picked up on the back of decline in raw material price and the company expects to breakeven soon.
- The company has incorporated two new subsidiaries (Bodal Chemicals Trading Private Limited and Bodal Chemicals Trading (Shijiazhuang) Co. Ltd.) to further increase the business activities in China and other geographies. The major companies in China are running at an average capacity of 50-70%, which gives an opportunity to the company.
- The company is in process to open warehouse in Kolkata and Jaipur and adding infrastructure to the marketing setup. As well as sees China, Europe and Turkey as huge market potential and is adding strength to marketing in these geographies.
- As per the management guidance, the margins are expected to be better in Q4FY19 and FY20 and have plan to increase EBITDA margins by 1% every year for another two to three years within range of 18 to 20%.
- The management continues to focus on integrated business model including plans to foray into specialty chemicals and gradual increase share from B2B to B2C in Dyestuff across the world.
- As on Dec 31<sup>st</sup>, 2018, the promoters hold 57.43% and FIIs hold 6.18% equity of the company, whereas Mutual Funds and other domestic institutional investors own 6.42% and 0.08% respectively, and the balance 29.88% shares are held by the public.

#### Concerns

Competition from peers, Environmental norms, fluctuations in Foreign Exchange rates and volatility in crude and raw material prices are the main concerns.

#### Valuation

The share of the Company is trading at **TTM P/E of 10.1x** as against the industry PE of 23.5x. Keeping in the new diversified product basket of the company, capacity expansion at existing plant, consistent margins and ability to scale the top-line as well as bottom line, we expect the company to report an **EPS of about Rs. 12.5 for FY19 and the company being market leader in the segment deserve higher PE of 12.8x** and accordingly, we estimate the price of the scrip to appreciate to about Rs. 160 (an appreciation of about 26%) over the next 6-12 months.



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