

24th

ANNUAL REPORT 2009-10

We believe in excellence





CORPORATE INFORMATION

BOARD OF DIRECTORS

Suresh J. Patel

Chairman & Managing Director

Bhavin S. Patel

Executive Director

Ankit S. Patel

Executive Director

Ramesh P. Patel

Executive Director

Surendra N. Shah

Independent Director

Sunil K. Mehta

Independent Director

Bipin R. Patel

Independent Director

Prakash B. Patel

Independent Director

COMPANY SECRETARY

Chirag G. Shah

REGISTERED OFFICE

Plot No.123 & 124, Phase-I, G.I.D.C.,
Vatva, Ahmedabad-382 445.

AUDITORS

Mayank Shah & Associates.,

Chartered Accountants,

706-708-A, Mahakant, Opp. V.S. Hospital,
Ellisbridge, Ahmedabad-380 006

BANKERS

Union Bank of India
Bank of India

REGISTRAR & TRANSFER AGENT

Sharepro Services (India) Pvt Ltd.

416-420, 4th.Floor, Devnandan Mall,
Opp.Sanyas Ashram, Ellisbridge,
Ahmedabad-380006.

AUDIT COMMITTEE

Surendra N. Shah *Chairman*

Bipin R. Patel *Member*

Prakash B. Patel *Member*

REMUNERATION COMMITTEE

Surendra N. Shah *Chairman*

Bipin R. Patel *Member*

Prakash B. Patel *Member*

SHAREHOLDERS GRIEVANCES COMMITTEE

Surendra N. Shah *Chairman*

Bipin R. Patel *Member*

Prakash B. Patel *Member*

Contents

Message From the Chair	2
Directors' Report	5
Management Discussion and Analysis	12
Report on Corporate Governance	15
Auditors' Report	28
Balance Sheet	32
Profit and Loss Account	33
Schedules	34
Notes on Accounts	42
Balance Sheet Abstract	53
Cash Flow Statement	54



Ramesh P. Patel, Executive Director



Bhavin S. Patel
Executive Director

Ankit S. Patel
Executive Director

Suresh J. Patel
Chairman & M.D.

MESSAGE FROM THE CHAIR

Dear Shareholders,

I welcome you all and take immense pride and pleasure in addressing this 24th Annual General Meeting.

I am highly delighted to inform you that your company is back in the profit, proving 2008-09 as an exceptional and unfortunate year. It is growing rapidly, more particularly in last 5 years, both from the view of top line as well as bottom line. The turnover of the company has grown by 217.75% from Rs.153.14 crore in 2005-06 to Rs. 486.60 crore in 2009-10, while Net Profit has jumped by 475.41% from Rs.2.44 crore in 2005-06 to Rs.14.04 crore in 2009-10.

In recent times Bodal Chemicals is focusing on improving the bottom-line and thereby creating wealth for its shareholders and strengthening its position in the Industry – domestic as well as global level. The company wants to achieve this mainly by diversification, forward integration and backward integration of its product line. Also by expanding its market share in the domestic and export market particularly in the Dyestuffs sector.

At present, Bodal has achieved a respectable distinction of being the only company in India to have a significant presence in Basic Chemicals, a wide range of Dye intermediates and Dyestuffs.

Since our last AGM, there have been significant developments in your company. I would like to highlight this developments in one liner:

- One of the fastest growing company in Dyes and Dye Intermediates Industry
- Back in Black with Net Profit Rs.14.04 crore for the year ended 31-03-2010
- 27% Dividend (including 9% final dividend) for the financial year 2009-10
- Rs. 42.52 crore Preferential Issue
- Sub-division of equity shares (Stock Split) from 1 equity share of Rs. 10/- to 5 equity shares of Rs.2/- each
- Commencement of 450 TPD Sulphuric Acid Plant
- Enter into Agro based Business through Bodal Agrotech Ltd., the wholly owned subsidiary of the company

As I look forward, I foresee business opportunities expanding as never before. The Indian economy is growing at a very rapid pace. Dyestuffs industry plays an important role in the economic development as well as exports of the country. The demand of Dyes and Dye Intermediates is expected to grow during the current year, backed by strong demand from textile, leather and ink industries, which are expected to register positive growth rate.

THE YEAR UNDER REVIEW-2009-10

Your company has recorded a profit of Rs.14.03 crore driven by higher sales and cost efficiencies. After witnessing a loss of Rs.11.09 crore in the previous fiscal, this turnaround is ample and fitting testimony to Bodal's dynamic approach to markets, customers and strategy.



Total sales and income from operations has risen 18.75% to Rs 479.35 crore from Rs 403.65 crore in the previous year.

EBIDTA for the financial year 2009-10 shot up 1077% to Rs 52.85 crore against Rs 4.49 crore in 2008-09.

CURRENT YEAR-2010-11

Bodal has successfully implemented forward integration strategy i.e. commencement of Dyes Plant for generating more revenues and backward integration strategy i.e. producing as many key raw materials in house as possible like Sulphuric Acid, Chloro Sulphonic Acid, Oleums, Beta Naphthol, Acetanilide, Para Nitro Aniline etc. for improving profitability.

Quality of products can be distinguished through Brand name. Considering the same, in the month of August, 2010, we launched **"Bodactive"** (Bodal + Reactive Dyes), a unique brand of Reactive Dyes, for Textile Industries. It is based on BNC (Bodal Nano Chemistry) Technology and offers latest generation of dyes, with High Solubility & Outstanding High Strength.

Hence, Your Company's well-planned business initiatives, brand building of products and strong Corporate Strategies will deliver significant rise in its turnover and stronger financials for the current year and years to follow.

Your Company has performed well during the first quarter i.e. April-June, of the current financial year.

- Turnover and other Receipt increased from Rs. 103.57 crore to 130.56 crore
- EBIDTA jump from Rs. 12.11 crore to Rs. 14.70 crore – increased by 21.39%
- Net Profit increased from Rs. 3.48 crore to Rs.4.93 crore— increased by 41.67%.

COMMENCEMENT OF NEW PROJECT- SULPHURIC ACID PLANT

A 450 TPD Sulphuric Acid plant has been successfully commenced at our Unit No. VII, Dudhwada, Ta. Padra, Dist. Vadodara, during July, 2010. This plant produces Sulphuric Acid, Chloro Sulphonic Acid and Oleum, which are used to manufacture Dyes Intermediates. Bodal has also manufacturing facility for production of Dyes and Dye Intermediates at the same location.

Apart from its own profitability, the plant would prove as a cost beneficial to Bodal Chemicals as this facility generates power and steam which will be used to run this plant and our Dyes and Dye Intermediates plants. Hence there will be reduction in the overall fuel consumption. Further considering the unique locational advantage and High Volume, Low Value nature of products, there will be substantial saving in transportation cost and resultant lower production cost to a great extent. Availability of easy, timely and assured quality raw materials for Dye Intermediates plant are the added advantages.

The plant is an example of our commitment to build value for customers and driving operational efficiencies. By setting up this plant we are integrating across the value chain to have better control over margins.

DIVERSIFICATION

Considering the future growth planning and as a part of diversification strategy of the company, your company has identified the Technology based Agricultural Business for exploiting the opportunities for diversification. Traditionally, Indian Agriculture business is unorganized business and not recognised as a Industry in the corporate world. This scenario has been changing and the corporate world has now started focusing this area for growth.

There are ample opportunities in Agriculture business and its related technologies business. The Agriculture business covers area of contract farming, fertilisers like SSP, plant development, agriculture equipments etc.

To exploit said business," Bodal Agrotech Ltd" the wholly owned subsidiary company has been floated.

UPCOMING PROJECT— SINGLE SUPER PHOSPHATE (S.S.P.) PLANT

Basically India is agriculture based economy. Lot of infrastructural developments such as irrigational facilities are coming up. A trend of multiple crops with better yield is increasing. Hence requirements of various Agricultural Inputs are also increasing. In order to cater this demand your company has identified Single Super Phosphate (SSP) ,as a first project of Bodal Agrotech Ltd. the wholly owned subsidiary company.

A 3.5 lacs MTPA, SSP Plant will be implemented, at a cost of about Rs. 31 crore, near by our existing manufacturing facility of Sulphuric Acid, Dye Intermediates and Dyes, located at our Padra unit, Vadodara. SSP plant will use Sulphuric Acid as key raw material for producing SSP. Our 450TPD Sulphuric Acid plant has already been commenced.

Your Company is producing major Dye Intermediates like Vinyl Sulphone Esater, DASA, F C Acid in huge quantity i.e. 2000 MT PM which generates 150MT PD of Spent Sulphuric Acid (Concentrate 25 to 30%) and the same will be consumed as raw material in the SSP plant. It directly saves purification cost of about Rs. 1.00 Lac per day. So Spent Sulphuric Acid is available at free of cost as a part of raw material and there is also saving in purification cost.


The Company expects that SSP plant will generate Rs. 240 crore Turnover and having 20 to 25% operating profitability margin. The construction work of SSP plant will be started after necessary formalities/approvals. Once the construction work of SSP plant start, it will take a time of 15-18 months for commencement of production.

ON A CONCLUDING NOTE

Bodal Chemicals Ltd. (BCL) is very different and stronger today than the BCL of the yesteryears. We are confident that we possess the competitive position to make our success sustainable in the coming years.

Your company has achieved this status through extra ordinary dedication and creativity of all stakeholders i.e. shareholders, employees, banks, customers, suppliers etc.

As we move into another financial year, we remain focused on maintaining strong relationship with all our stakeholders including Government and its departments and agencies. I would like to take this opportunity, to extend my deep gratitude to them for their co-operation, continued support and trust. On behalf of the Board of Directors, I would like to thank all employees for their continued commitment to the company and the passion to take company to the next level.



Suresh J. Patel
Chairman & M.D.
Bodal Chemicals Ltd.
Date : 28-08-2010

(This does not purport to be part of the proceedings at the meeting)

DIRECTORS' REPORT

To,
The Members

The Directors have great pleasure in presenting their 24th ANNUAL REPORT along with the Audited Accounts for the year ended 31st March, 2010.

FINANCIAL RESULT

	(Rs. In Lacs)	
Particulars	31-3-2010	31-3-2009
Turnover and other Receipt	48660.10	40510.74
Profit/(Loss) before depreciation and taxation	3253.55	(866.58)
Less : Depreciation/Amortization of Goodwill	1212.53	833.09
Profit/(Loss) before Taxation	2041.02	(1699.67)
Less : Provision for Taxation	694.65	(586.07)
Profit/(Loss) after Taxation	1346.37	(1113.60)
Balance available for appropriation	1712.06	(705.05)
Dividend on Equity Shares (Including Tax)	626.61	Nil
Balance Transferred to Balance Sheet	945.45	308.34
EPS (Rs.) (Considering face value of Rs. 10/- each i.e. before split)	6.76	(7.08)

DIVIDEND

Your Directors are pleased to recommend final dividend of Rs.0.18 i.e. 9% (Rs.0.90 per equity share of Rs. 10/-) per equity share of face value of Rs. 2/- , subject to the approval of shareholders, which along with the interim dividend @ 18% i.e. Rs. 1.80 per equity shares of Rs. 10/- each adds upto a total dividend @ 27% per equity share for the current financial year i.e. 2009-10. The Company had not declared dividend for the last year i.e. 2008-09.

The final dividend on equity shares, if approved, will be paid to the members whose name appears on the Register of Members at the time of Book closure date.

Total dividend payout works out to Rs. 626.61 lacs including Rs. 89.25 lacs dividend tax on equity shares for the financial year 2009-10. The payout is 46.54 % of Profit after Tax for the year. It is indeed a prudent thought to retain the rest of the profits - by ploughing it back into the business itself to further develop and expand your company.

BODAL'S BUSINESS

Bodal is well-known in the field of manufacturing Dyestuffs, Dyes Intermediates and other Chemicals falling under the broad category of Chemicals. Dyestuffs are further used in Textile, Lather and Paper Industry. Company has total 8 separate units having manufacturing facilities located in Gujarat. Out of the total production about 70% of Basic Chemicals and about 35% of Dye Intermediates is consumed captively. Balance production is sold 50% to local market and 50% to Export.

The broader area of operation of your company is as under:

Dyes

Your Company is a leading manufacturer of Reactive, Acid and Direct Dyes. Bodal has more than 150 different products of Dyes to cater to Textile, Leather and Paper Industry.

Dye Intermediates

Bodal is amongst the leading manufacturers of Dye Intermediates globally. Your Company manufactures more than 25 Dyes Intermediates. These Dye Intermediates are directly sold as well as consumed captively for manufacturing different kinds of Dyes.

Other/Basic Chemicals

Bodal is also a manufacturer of Other Chemicals like Sulphuric Acid, CSA, Oleums, Beta Naphthol, Acetanilide, Para Nitro Aniline etc. These Chemicals are used as key raw materials for production of Dye Intermediates, which is highly beneficial in terms of improving profitability of the company.

PERFORMANCE OF THE COMPANY

(1) The Year Under Review-2009-10

The year under review has been an outstanding year for the Dyes and Dye-Intermediates industry compared to the previous year. The recessionary phase is over and there was some indication of economic recovery like stability in financial market, increase in Industrial production, increase in consumption etc. in the financial year 2009-10. In line with global economic recovery, your Company has posted excellent and outstanding performance for the financial year 2009-10, compared to previous financial year. The major highlights of the financial performance for the financial year 2009-10, are as follows:

- Turnover and other Receipt increased from Rs. 405.11 crore to 486.60 crore
- EBIDTA jump from Rs. 4.49 crore to Rs. 52.85 crore – increased by 1077.06%
- Net Profit at Rs. 13.46 crore compared to Net Loss at Rs.11.14 crore

Hence, the company has recouped its entire loss of Rs.11 crore for the entire financial year 2008-09, in the current financial year i.e. 2009-10.

(2) Current Year-2010-11

Bodal has successfully implemented forward integration strategy i.e. commencement of Dyes Plant for generating more revenues and backward integration strategy i.e. producing as many key raw materials in house as possible like Sulphuric Acid, CSA, Oleums, Beta Naphthol, Acetanilide, Para Nitro Aniline etc. for improving profitability, during the last year as well as in the current year. Quality of products can be distinguished through Brand name. Bodal is planning to launch Branded Dyes in overseas as well as domestic market in the current year.

Bodal is confident of sustained growth in the overseas market during the current year by exploring newer international markets. The Company is also taking steps for increasing market share in domestic market for its products particularly for Dyestuffs. Your Company's innovative approach and focus on cost management has made your Company much more competitive compared to other players in the same industry. Successful positioning made your Company the preferred choice in Dyes & Dye Intermediates industry.

Hence, Your Company's well-planned business initiatives, brand building of products and strong Corporate Strategies will deliver an excellent financial performance for the current financial year i.e. 2010-11.



Your Company has performed well during the first quarter i.e. April-June, of the current financial year.

- Turnover and other Receipt increased from Rs. 103.57 crore to 130.56 crore
- EBIDTA jump from Rs. 12.11 crore to Rs. 14.70 crore – increased by 21.39%
- Net Profit increased from Rs. 3.48 crore to Rs.4.93 crore— increased by 41.67%

Our performance on every parameter therefore, reflects persistent improvement.

CORPORATE ACTIONS

Preferential Issue

The Board of Directors has allotted 67,50,000 (Sixty Seven Lacs and Fifty Thousand) warrants convertible into equivalent number of equity shares of Rs.10/- each at a price of Rs.63/- per share (including premium Rs.53/-per share) to Promoter Group/Non Promoters on 11th May, 2010, as per terms approved by shareholders vide EGM dtd. 28th April, 2010.

The Company has received Rs. 15.75 per warrant i.e. 25% of Rs. 63/-, aggregating Rs.10.63 crore for allotment of warrants from allottees and the said amount has been fully utilized for Long Term Working Capital/general corporate purposes.

The Company will receive balance amount i.e. Rs.47.25, aggregating Rs. 31.89 crore at the time of conversion of warrants into equity shares within 18 months from the date of allotment i.e. 11th May, 2010.

Subdivision (Stock Split) of equity shares

With a View to provide more liquidity and encourage active participation of the retail investors, your Company has subdivided equity shares from 1(one) equity share of Rs. 10/- (Rupees Ten) each to 5(five) equity shares of Rs.2/-(Rupees Two) each. The Board of Directors had declared 11th June, 2010 as a Record date for said subdivision.

Redemption of Debentures

The Company has approved and redeemed 1,02,510, 10% Unsecured Redeemable Non-Convertible Debentures of Rs.500/- each fully paid up at par during May, 2010.

COMMENCEMENT OF NEW PROJECT- SULPHURIC ACID PLANT

A 450 TPD Sulphuric Acid plant has been successfully commenced at an investment of Rs. 62 crore at our Unit No. VII, Dudhwada, Ta. Padra, Dist. Vadodara, during July, 2010. Bodal has also manufacturing facility for production of Dyes and Dye Intermediates at the same location. Hence, the Company has an unique locational advantage, it helps in substantial saving of transportation cost, easy and timely availability of Acid for Dye Intermediates. This is an ambitious project of the company and matches perfectly with our strategy of backward integration for improving profitability.

This plant also generates steam, which can be used to run this plant and our dye plant. This is strategically vital for reduction of fuel consumption cost, thus improving the bottom line of the company.

The full impact of the same on the profitability will start reflecting from 3rd quarter i.e. October-December, 2010 onwards.

DIVERSIFICATION

Your company is one of the leading manufacturer of Basic Chemicals, Dye Intermediates and Dyes. The Company has explored various business other than existing Chemicals business for growth of the company.

Considering the future growth planning and as a part of diversification strategy of the company, your company has identified the Technology based Agricultural Business for exploiting the opportunities for diversification. Traditionally, Indian Agriculture business is unorganized business and not recognised as a Industry in the corporate world. This scenario has been changing and the corporate world has now started focusing this area for growth. There are ample opportunities in Agriculture business and its related technologies business. The Agriculture business covers area of contract farming, fertilisers like SSP, plant development, agriculture equipments etc.

To exploit said business, "Bodal Agrotech Ltd" the wholly owned subsidiary company will be floated. The said name of the company has been approved by RoC, Gujarat.

UPCOMING PROJECT— SINGLE SUPER PHOSPHATE (S.S.P.) PLANT

Your company has identified SSP, as a first phase for business of our Bodal Agrotech Ltd., the wholly owned subsidiary company.

Single Super Phosphate (SSP) industry is the pioneering fertilizer industry in the country. Manufacturing of SSP is based on perhaps the simplest chemical reaction amongst chemical fertilizer industry. The main raw materials required are rock phosphate and sulphuric acid. SSP is a straight phosphatic multi-nutrient fertilizer which contains sulphur, calcium and some other essential micro nutrients in small proportions. SSP, which is a poor farmer's fertilizer (price-wise), is an option to optimise the use of phosphatic fertilizers. It also helps to treat sulphur deficiency in soils (40% Indian soil is sulphur deficient) as well for further enhancement of yields at the least cost. In various crops, which require more of sulphur and phosphate like oilseeds, pulses, sugarcane, fruits and vegetables, tea etc, SSP is an essential fertilizer.

Central government policy is liberalized for Fertilizers like SSP. Earlier there was cap on the market price. But now the cap has been removed and fix subsidy on sales is available for SSP manufacturers.

A 3.5 lacs MTPA, SSP Plant will be implemented, at a cost of about Rs. 31 crore, near by our existing manufacturing facility of Sulphuric Acid, Dye Intermediates and Dyes, located at our Padra unit, Vadodara. SSP plant will use Sulphuric Acid as key raw material for producing SSP. Our 450TPD Sulphuric Acid plant has already been commenced.

Your Company is producing major Dye Intermediates like Vinyl Sulphone Esater, DASA, F C Acid in huge quantity i.e. 2000 MT PM which generates 150MT PD of Spent Sulphuric Acid (Concentrate 25 to 30%) and the same will be consumed as raw material in the SSP plant. It directly saves purification cost of about Rs. 1.00 Lac per day. So Spent Sulphuric Acid is available at free of cost as a part of raw material and there is also saving in purification cost.

The Company expects that SSP plant will generate Rs. 240 crore Turnover and having 20 to 25% operating profitability margin. The construction work of SSP plant will be started after necessary formalities/approvals. Once the construction work of SSP plant start, it will take a time of 15-18 months for commencement of production.

PUBLIC DEPOSITS

The Company has not accepted deposit from public during the year and there was no deposit outstanding from public as on 31st March, 2010.

DIRECTORS

Mr. Prakash B. Patel has been appointed as an Additional Director of the Company on 28th April, 2010. As per the provisions of section 260 of the Companies Act, 1956, this Director will hold office only up to the date of the forthcoming Annual General Meeting of the Company. The Company has received notice under section 257 of the Act along with requisite deposit, in respect of above person, proposing appointment as a Director of the Company. Resolution seeking approval of members for the appointment of Mr. Prakash B. Patel, as a Director of the Company has been incorporated in the Notice of the forthcoming Annual General Meeting.

Mr. Ankit S. Patel and Mr. Bipin R. Patel, retire by rotation at the Annual General Meeting. Being eligible, they offer themselves for re-appointment.

For the perusal of shareholders, a brief resume of the above said directors, nature of the their expertise, their shareholding in the company and other required details are given in the section of Corporate Governance Report elsewhere in the Annual Report.