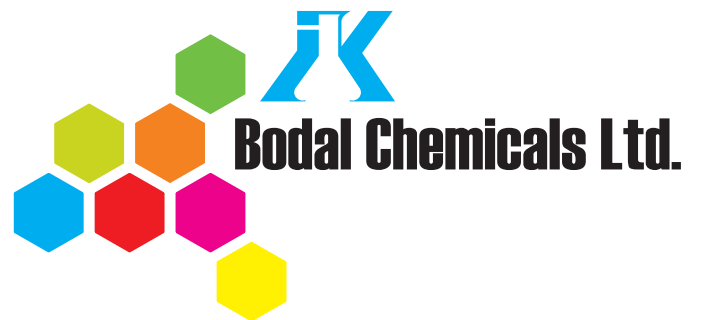


27 th ANNUAL REPORT

2012-2013



**BODAL**

We believe in excellence

## MESSAGE FROM THE CHAIR



Dear Members,

The Company as well as dyestuff industry in India have faced another tough and challenging financial year 2012-13. The industry has faced uncertainty in the market due to global economic recession including in India and financial meltdown in the world and the same resulted into the slow down in the industry across the India as well as world. Further, US Dollar went as high as Rs.61.50 i.e. highest percentage down in the value of the Indian Rupee in last 6 to 8 months, for the first time in the history of Indian rupee, resulted in heavy Losses for the dyes and dye intermediates industry in India.

Your company has faced several unprecedented adversities like uncertainty in global market leading to lower demand, higher inflation leading to higher inputs cost, volatility in crude prices, fluctuation in currencies and high interest rates and others. In fact, most of the adversities have been faced by dyes and dye Intermediates Industry. The recent downstream in the global market had affected India and particularly in Gujarat, the

dyestuff industry. Gujarat is known for the dyestuff hub in the India. Gujarat dyestuff industry exports more than 70% of total production and the situation had affected more than a thousand units in Gujarat.

Bodal Chemicals Limited had faced financial liquidity crunch during last two years due to losses and heavy capex in earlier years. Your Company, due to this condition, for the realignment of its entire debt, had approached Corporate Debt Restructuring (CDR) cell through company's lead banker i.e. Union Bank of India.

The scheme for the realignment of debt was approved by Corporate Debt Restructuring (CDR) cell through its CDR EG group in the month of December and after that approval of Debt restructuring scheme. Your Company has got new mouthful air to perform better in the current and coming years and so the performance of the company in the first quarter of the current financial year is satisfactorily improving.

In recent times, Bodal Chemicals Limited is focusing on improving the bottom-line and thereby creating wealth for its shareholders and strengthening its position in the dyestuff industry- Domestic as well as global level. The company wants to achieve this mainly by expanding its market shares in the domestic and export market particularly in the dyestuffs sector and also by diversified, forward integration and backward integration of its product line.

The problems faced by entire industry have moderated but effects of the same are still there. However, the business environment has been considerably stabilizing after the sudden impact in last few years. The company is taking steps of cost cutting at all levels of the operations while ensuring that efficiency and operations are not hampered. I expect that margins will also slowly improve in the coming years and company has been taking several measures to improve margin and to get maximum productivity. In this way, Bodal Chem has confidence and ability to set benchmarks on various parameters and outperform in the dyestuff industry and will generate more revenue during the current financial year.

So far as financial year 2012-13 is concerned, in spite of all adversities, your company has achieved decent total Income from operation of Rs.523.83 crore. However, same did not reflect in bottom line of the company. Many micro and macro economic factors have affected the company's performance and it has incurred net loss of Rs.21.12 crore for the financial year 2012-13.

However it really was hurricane rather than lasting phenomena and it has passed. The industry is at the moment bouncing back and recovery phase has already started in the industry.

Your Company has performed satisfactory in the first quarter of the current financial year 2013-14, as compared to the performance of Dyes, Dye Intermediates industry. The Company has posted profit of Rs.16.89 crore EBITDA by achieving Total Income from operation of Rs.178.87 crore and your company has posted net profit of Rs.1.86 crore for the period of April to June, 2013. Result of the first quarter, April to June-2013, shows that the company is fundamentally strong enough and able to perform satisfactory in coming quarters of the financial year 2013-14 as well as in the upcoming financial years.

Success of any business can be possible if its employees and peoples who put in insistent efforts to rise to their excellence level. I would like to reiterate that your company's employees are its valuable assets and it is entirely due to their hard works, firmness, commitment and dedication that your company has been able to come out from the said gloom conditions and will able to deliver sustainable growth and value creation in coming years.

I wish to place on record my deep gratitude to all of you for your unstinted support towards our journey. Also I express my sincere gratitude to my team in Bodal Chem for their support and valuable guidance. I also like to thank the Union Bank of India and Bank of India for their support extended to the Company, particularly for smooth implementation of restructuring package under Corporate Debt Restructuring (CDR). I also take this opportunity to thank the Government of India and the State Government for their support and co-operation.

I would like to assure you that your company will strive to capitalize by remaining focus on operational excellence and to remain committed to deliver strong growth and enhance 'shareholders and other stakeholders' values in every possible ways.

Warm regards,

Yours sincerely,

**Suresh J. Patel**  
*Chairman & Managing Director*

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

## NOTICE

**Notice is hereby** given that the 27<sup>th</sup> Annual General Meeting of the Members of **BODAL CHEMICALS LTD.** will be held on **Monday, the 30<sup>th</sup> September, 2013 at 5.00 P.M.** at ATMA Auditorium, Opp. Old RBI Office, Ashram Road, Ahmedabad -380 009, to transact the following business :

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2013 and the Profit and Loss Account of the Company for the year ended on that date and reports of the Board of Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Bipin R. Patel, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr. Sunil K. Mehta, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

By Order of Board of Directors  
For, Bodal Chemicals Limited

Place : Ahmedabad  
Date : 30<sup>th</sup> May, 2013

**Ashutosh B. Bhatt**  
Company Secretary

### NOTES :

1. A member entitled to attend and vote at the Annual General Meeting of the company may appoint a proxy to attend and vote on a poll on his behalf. The instrument appointing a proxy must be deposited with the company at its registered office not less than 48 hours before the time for holding the meeting.
2. The Register of Members and Share Transfer Book of the company will be closed from Tuesday, the 24<sup>th</sup> September, 2013 to Monday, the 30<sup>th</sup> September, 2013 (both days inclusive) for the purpose of Annual General Meeting.
3. Members are requested to contact our Registrar and Transfer Agent for any query related to shares, dividend and other inquiry at following address.

Unit : Bodal Chemicals Ltd.

Sharepro Services (India) Pvt Ltd.  
(Ahmedabad Branch)

416-420, 4<sup>th</sup> Floor, Devnandan Mall, Opp. Sanyas Ashram, Ellisbridge, AHMEDABAD-380006.

Tel Nos.: 079 26582381 to 84, Fax No.: 079 26582385, Email: sharepro@shareproservices.com

Contact Person: Ms. Bharti Parikh

- Please quote Folio No. / DP ID & CL ID for any communication for your shareholding.
  - Bring the copy of Annual Report at the meeting.
4. The Company's equity shares are presently listed and traded at Bombay Stock Exchanges Ltd. (BSE) and National Stock Exchange of India Ltd (NSE). The Company has paid the listing fees to BSE and NSE for the financial year 2013-14.
  5. Members wishing to claim their unclaimed dividend of 2005-06, 2006-07 (Interim as well as Final Dividend), 2007-08 (Interim as well as Final Dividend), 2009-10 (Interim as well as Final Dividend) and 2010-11, are requested to correspond with said Registrar and Transfer Agent (RTA) or Secretarial Department at the Registered office of the Company.
  6. The details of Directors seeking re-appointment in the Annual General Meeting to be held on 30<sup>th</sup> September, 2013 are covered in the Corporate Governance Report.
  7. **Any member desiring any clarification/explanation in respect of the information given in this annual report is requested to submit query to the company at least 7 days in advance before the meeting so as to enable the management to keep information ready.**
  8. The Ministry of Corporate Affairs has taken a "Green Initiative in the corporate Governance" by allowing paperless compliances by the Companies and has issued circulars stating that service of notice / documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through which their concerned Depository Participants.

By Order of Board of Directors  
For, Bodal Chemicals Limited

Place : Ahmedabad  
Date : 30<sup>th</sup> May, 2013

**Ashutosh B. Bhatt**  
Company Secretary

## DIRECTORS' REPORT

To,  
The Members,

Your Directors hereby present the 27<sup>th</sup> ANNUAL REPORT of the Company along with the Audited Accounts for the Financial Year ended 31<sup>st</sup> March, 2013.

### BODAL'S BUSINESS

Bodal Chemicals Ltd. is one of the leading manufacturer and exporter in the Dyes and Dye Intermediates industry. It has a unique and integrated product line covering forward and backward integration to dye intermediates. Bodal group includes Bodal Chemicals Ltd and its subsidiaries i.e. Bodal Agrotech Ltd. (BAL) and Sun Agrigenetics Pvt. Ltd. (SAPL).

Bodal Chemicals Ltd's core business is manufacturing of Dyestuffs, Dyes Intermediates and other Chemicals falling under the broad category of Chemicals and new business through its subsidiaries is Agriculture and its related technologies.

### FINANCIAL RESULT (Standalone)

	(Rs. In Lacs)	
Particulars	31-03-2013	31-03-2012
Total Income from Operations	52383.41	60334.62
Profit before Interest, depreciation & amortization and taxation	2475.63	610.17
Less : Depreciation/Amortization of Goodwill	1642.82	1600.38
Less : Interest/Finance cost	3918.96	3380.77
Add : Exceptional Item	0.00	505.00
Less : Tax Expense	(973.88)	(1034.37)
(Loss) / Profit after Taxation	(2112.27)	(2831.61)
EPS-face value of Rs. 2/- each-(in Rs.)	(1.94)	(2.74)

### PERFORMANCE OF THE COMPANY

#### The Year under Review-2012-13

The Company has successfully achieved several milestones in the past. Total turnover of the Company is Rs.523.83 crore in the Financial Year 2012-13. The year under review has been another very tough year for the Dyes and Dyes Intermediates Industries which was passing through recessionary phase in the recent time. In same way, the company's performance has adversely impacted due to external headwinds like uncertainty in global market, higher inflation and volatility in crude prices, fluctuation in currency and high interest rate and many more. In spite of this, your company has achieved decent Turnover of Rs.523.83 crore during the year 2012-13. This indicates itself that the company's management has proved its ability to retain business, in fact added new customers, in tough times of industry.

However, achievement of decent turnover by the Company did not reflect in bottom line and the company has incurred net loss of Rs.21.12 crore for the financial year 2012-13.

#### Current Year-2013-14

The problems faced by the entire Chemicals Industry have become moderate. Your company is making all efforts to cope up with the said challenges and situation of Chemical industry through continuous cost cutting at all levels of operations while ensuring that efficiency and operations are not been hampered. The Company is also taking steps for the process improvements, imparting training to the workforce on the continued basis, developing and improved customer services to mitigate the growing cost pressure. In addition, Bodal has traditionally put its customers above everything and has striven to offer maximum values to its customers through price advantage, quality of goods, delivery of goods in time. In this way Bodal has confidence and ability to outperform in the Dyestuff industry in the current year.

Your Directors are hopeful of better performance of the Company in the current financial year 2013-14.

The Broad area of operation for Bodal group i.e. Bodal Chemicals Ltd. (BCL), and its subsidiary companies i.e. Bodal Agrotech Ltd. (BAL) and sun Agrigenetics Pvt. Ltd. (SAPL) are as under:

#### Bodal Chem (BCL)

Bodal Chem is well-known in the field of manufacturing Dyestuffs, Dyes Intermediates and other Chemicals falling under the broad category of Chemicals. Dyestuff is further used in Textile, Leather and Paper Industry. The Company has total 8 separate units having manufacturing facilities located in Gujarat. Due to Forward and Backward – both Integration from dye Intermediates division, we use about 60% of our own raw materials when we produce intermediates and we use about 80% of our own raw materials when we produce dyestuffs. This is our Strength. Out of the total sales about 42% is export and balance is domestic. Your company is listed on Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE).

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.

### **Bodal Agro (BAL)**

Your company has incorporated BAL as wholly owned subsidiary company in the year 2010 and had forayed into Agriculture and its technologies business through BAL.

By reviewing losses and comparatively small turnover, your company has, at present, discontinued all the activities of Bodal Agrotech Ltd. for the time being. This will also enable the management to concentrate more on the main company i.e. Bodal Chemicals Ltd.

### **Sun Agrigenetics (SAPL)**

SAPL is fellow subsidiary of BCL. SAPL is in business of production of Tissue Culture plants, Microbial bio-fertilizers, Genetic Improvement of crops, contract research etc. SAPL has tissue culture laboratory with production capacity of 2 million plants p.a. Green House and Nursery complex spread over an area of 70,000 sq.ft. R&D centre recognized by Department of Science and Industrial Research (DSIR), Gov. of India, New Delhi. SAPL plans to launch new products through R&D.

Information relating to performance/financials of the subsidiary companies are disclosed in the Consolidated Financial Statements. Statement pursuant to Section 212(1)(e) of the Companies Act, 1956 forms part of this Annual Report.

### **Compliance of Section 212 of the Companies Act, 1956.**

In accordance with the general circular no. 2/2011 bearing reference no. 5/12/2007-CL-III, dtd.8<sup>th</sup> February, 2011, issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. The Company will make available the Annual Accounts of the subsidiary companies and the related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection at the Registered Office of the Company and that of the respective subsidiary companies.

In accordance with the requirement of Accounting Standards issued by The Institute of Chartered Accountants of India, the consolidated accounts of the company and its subsidiaries have been prepared and the same are annexed to this report.

### **DIVIDEND**

In view of the loss incurred by the company in the financial year 2012-13, the Directors regret their inability to recommend any dividend for the said financial year.

### **CORPORATE DEBT RESTRUCTURING (CDR)**

The company has incurred heavy losses and has faced liquidity crunch during last two years. Hence, the company has approached, through its lead banker i.e. Union Bank of India, to the Corporate Debt Restructuring cell (CDR) for the suitable realignment of its entire debt.

The proposal for restructuring of debts of the company under Corporate Debt Restructuring (CDR) mechanism has been approved in the meeting of CDR Empowered Group (EG). The Company, with the help of its consortium bankers, has successfully implemented the approved scheme of restructuring during the year under review.

### **AUTHORISED SHARE CAPITAL**

During the year under review, Company has reclassified its Authorised Share Capital between Equity Share Capital and Preference Share Capital and subsequently increased its Authorised Share Capital from Rs.34 Crore to Rs.49 Crore comprising of Rs.24 Crore divided into 12,00,00,000(Twelve Crore) Equity Shares of Rs.2/- (Rupees Two) each and Rs.25 Crore divided into 2,50,00,000 (Two Crore and Fifty lacs) Preference Shares of Rs.10/- (Rupees Ten) each, pursuant to the approval accorded by shareholders of the Company in the Extra Ordinary General Meeting held on 23<sup>rd</sup> March, 2013.

### **ALLOTMENT OF 9% NON CUMULATIVE REDEEMABLE PREFERENCE SHARES**

The Board of Directors has allotted 1,55,00,000 9% Non Cumulative Redeemable Preference shares at a face value of Rs.10/- each per share as per requirement of approved Corporate debt restructuring package to the promoters/ promoter group, non



promoter including various authorities/ entities on 30<sup>th</sup> day of March, 2013, as per terms approved by shareholders vide EGM dtd. 23<sup>rd</sup> March, 2013.

#### **PAID UP SHARE CAPITAL**

Consequent upon the allotment of 9% Non Cumulative Redeemable Preference Shares, the paid up share capital of the company has been increased to Rs.37,32,14,740/-, Comprising of Rs.21,82,14,740/- divided into 10,91,07,370 Equity Shares of Rs.2/- each fully paid and Rs. 15,50,00,000/- divided into 1,55,00,000 9% Non Cumulative Redeemable Preference Shares of Rs.10/- each fully paid.

#### **LISTING OF SECURITIES**

10,91,07,370 equity shares of Rs.2/- each fully paid, are listed on the following Stock Exchanges:

1. The Bombay Stock Exchange Ltd. (BSE)
2. The National Stock Exchange of India Ltd. (NSE)

The company has already paid listing fee to both the Stock Exchanges for the financial year 2013-2014.

#### **PUBLIC DEPOSITS**

During the period under review, the Company has accepted deposits from Shareholders and Public within the prescribed limits. As on March 31, 2013, deposits from Public and Shareholders stood at Rs.2.22 crore. There were no deposits, which were claimed and remained unpaid by the Company as on March 31, 2013.

#### **DIRECTORS**

Mr. Bipin R. Patel and Mr. Sunil K. Mehta, retire by rotation at the ensuing Annual General Meeting. They, being eligible, offer themselves for re-appointment.

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

#### **INSURANCE**

The Company's assets are adequately insured.

#### **AUDITORS & AUDITORS' REPORT**

Your Directors recommend re-appointment of Auditors M/s. Mayank Shah & Associates, Chartered Accountants, Ahmedabad for the financial year 2013-14. The Company has received a certificate from the auditors stating that their appointment, if made, will be within the limit specified under section 224 (1B) of the Companies Act, 1956.

Auditor's comments on your Company's accounts for the year ended March 31, 2013 are self explanatory in nature and do not require any explanation as per provisions of section 217(3) of the Companies Act, 1956.

#### **INDUSTRIAL RELATIONS**

Industrial relations at all divisions of your Company have always been cordial and continue to be so, your Directors wish to place on record their appreciation for the co-operation received from employees at all levels.

#### **ENVIRONMENT PROTECTION**

Your Company has undertaken various environment friendly measures in its different units for promoting better environment. The Company has in place adequate pollution control equipments and all the equipments are in operation.

#### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

Your attention is drawn to the perception and business outlook of your management for your company for current year and for the industry in which it operates including its position and perceived trends in near future. The Management Discussion and Analysis Report as required under clause 49 of the Listing Agreement with the Stock Exchange is attached and forms part of this Directors' Report.

#### **CORPORATE GOVERNANCE**

The Company has complied with all the mandatory requirements as specified under clause 49 of the Listing Agreement by SEBI. As required therein, a separate Report on Corporate Governance forms part of this Annual Report. The certificate from statutory Auditors of the Company regarding compliance of conditions of Corporate Governance is part of this report and is annexed hereto.

Details of various committees constituted by the Board of Directors are given in the Corporate Governance Report annexed and forms part of this report.

#### **CONSOLIDATED FINANCIALS**

The consolidated Total Income from operation of Rs.529.59 crore and Net Loss after minority interest of Rs.23.24 crore for the group for the financial year 2012-13 compared to consolidated Total Income from operation of Rs.613.71 crore and Net loss after minority interest of Rs.29.78 crore for the group for the previous financial year 2011-12.

Consolidated financial result includes financial result of Bodal Agrotech Ltd., the wholly owned subsidiary of Bodal Chemicals Ltd. and Sun Agrigenetics Pvt. Ltd., which is subsidiary of Bodal Agrotech Ltd.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, the directors hereby confirm;

1. That in the preparation of the accounts for the financial year ended 31<sup>st</sup> March, 2013, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
2. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the loss of the company for that period;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Directors have prepared the accounts for the financial year ended 31<sup>st</sup> March, 2013 on a 'going concern' basis.

## CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT (R&D), TECHNOLOGY, ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

The information pursuant to section 217(1)(e) of the Companies Act, 1956 read with companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure forming part of this report.

## PARTICULARS OF EMPLOYEES

The information required under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rule, 1975 as amendment, the names and other particulars of employees are not applicable to Company, as no employees drawing remuneration of Rs.60,00,000 or more per annum employed throughout the year or Rs. 5,00,000 or more per month employed a part of the year.

## ACKNOWLEDGEMENT

Your Directors take this opportunity to thank and place on record their appreciation for all the employees at all levels for their hard work and dedication during the year. Your Directors sincerely convey their appreciation to customers, shareholders, vendors, bankers, business associates, regulatory and government authorities for their consistent support.

For and on behalf of the Board

Date : 30-05-2013  
Place : Ahmedabad

**SURESH J. PATEL**  
Chairman & Managing Director

## ANNEXURE TO THE DIRECTORS' REPORT

### CONSERVATION OF ENERGY:

#### Energy Conservation measures taken:

Reducing the HP of Motors where possible

Improvement in low insulation.

Periodic desertion of Boiler

#### Additional Investment and Proposals, if any, being implemented for reduction of consumption of energy:

The company's Sulphuric acid plant generates steam, part of the same is used to run our Dyes and Dyes Intermediates plant and balance is used to generate power, by installation of turbine, to run Sulphuric Acid plant itself.

#### Impact of above:

The adoption of energy conservation measures indicated above have consequent impact on cost of production of goods by way of reduction of fuel cost.

#### Total Energy consumption per unit of production

	2012-13	2011-12
(i) Total consumption of Electric (Units)	322.20 lacs	372.95 lacs
Total Amount (Rs.)	2229.62 lacs	2356.63 lacs
Unit/Average Rate	Unit/ Rs. 6.92	Unit/ Rs. 6.32
(ii) Fuel		
Quantity	Kgs.226.87 lacs	Kgs.270.90 lacs
	Ltr.0.28 lacs	Ltr.0.34 lacs
	Scm 3.92 lacs	Scm 7.81 lacs
Total Amount (Rs.)	2002.43 lacs	2377.81 lacs
Unit /Average Rate	Kgs/ Rs. 7.93	Kgs/ Rs. 7.86
	Ltr/ Rs. 48.08	Ltr/ Rs. 34.60
	Scm/Rs. 48.49	Scm/Rs. 30.68

## RESEARCH & DEVELOPMENT ( R & D)

The company has not incurred any expenditure related to Research & Development during the year.

### Future Plans of Action:

The company will try its best to carry activities in the field of R & D for development of new products and improvements in the existing manufacturing process for better yield.

### Expenditure on R & D:

	(Rs. In Lacs)	
	2012-2013	2011-2012
(a) Capital	Nil	Nil
(b) Recurring	Nil	Nil

## TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

### (a) Efforts in brief:

- I. Company in order to fully utilize its multidimensional manufacturing capacity is always at the forefront to make the best use of its technical capability for better success.
- II. Continuous endeavour to improve Product Quality & Process Yields.

### (b) Benefit derived as a result of the above effort:

The Company is able to market its value added products in Domestic as well as International Market.

### (c) Details relating to imported technology: Nil

## FOREIGN EXCHANGE EARNING AND OUTGO

(Rs. In lacs)

Partiuculars	2012-13	2011-12
<b>(a) Foreign Exchange Inflow</b>		
(i) Foreign Exchange Earning F.O.B. Value of Export	19216.16	22471.04
<b>(b) Foreign Exchange outgo</b>		
(i) Value of imported Raw materials calculated on CIF basis.	1813.40	3878.38
(ii) Foreign Traveling Expenditure	3.82	21.12
(iii) Export Sales Commission	200.31	519.82
(iv) Business Development Expenses	4.17	7.40
(v) Interest	275.61	552.43
(vi) Bank Charges	42.99	34.52
(vii) Export Damage Claim	11.68	5.07
(viii) Warehousing Charges	Nil	3.27
(ix) Cash Discount	14.22	21.57



## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY OVERVIEW-DYES AND DYE INTERMEDIATES

The Dyestuff industry in India is playing an important role for the development of economy of the country. Today, in India a self-sufficient dyestuff industry with a majority of its inputs manufactured locally to outfit to the needs of domestic textile industry by providing more than 90% requirement of the domestic textile industry for the raw materials.

The Indian Dyestuff industry based on chemical and comprises mainly three sub divisions as key constituents, namely, dyestuffs, pigments and intermediates along with other ranges of dyes such as disperse reactive, vats and leather dyes. Both dyestuffs and pigments are critical inputs to several industries such as Textile, Paper and Packaging, Leather, Food, Polymer, Coating, printing ink etc. Dyes are soluble and essentially used in textile industry. Pigments, on other hand, are insoluble and are important impurities to the products such as paints. The main end use segments for these products are textiles, paper and leather industries which together account for more than 85% of the total demand.

The Indian dye stuff industry is made up about 900 units in the small scale unit and about 50 large organized units, who produce 1,50,000 tones of dyestuff. Gujarat and Maharashtra account for 90% dyestuff production in India due to dominance of textile industry and easy availability of raw material in this region. The main drivers for consolidation are the stringent environmental norms and awareness among customers increasing the cost of operations for small-scale players.

The important Dyes are basic dyes, azo acid and direct dyes; disperse dyes, reactive dyes, sulphur dyes, vat dyes, organic pigments, naphthols and optical brighteners.

The main drivers for Dyes are Reactive Blacks, Acid Blacks, Reactive Blues, Reactive yellows and Reactive reds. The main drivers for Dye Intermediates are Xylidine, Vinyl Sulphone, Para Dichlorobenzene, Dichloroaniline and H-Acid.

There is huge potential of domestic demand due to low consumption of dyestuff, which leads to strong potential for Indian Dyestuff industry. The Indian Dyestuff industry is a potential powerhouse benefiting from comparative low labour cost, talented technical manpower, capabilities for research and development etc. However, Safety, Health and Environment protection issues have become the major issues for Indian Dyestuff Industry. The Indian dyestuff industry has also created very good impression in the Global Market by exporting the dyestuff products. The Indian Dyestuff industry is showing, with time, an upward trend in the export of dyes in last several years. India Dyestuff industry is exporting most of its production to the developed countries.

### OVERVIEW OF BODAL CHEMICAL'S BUSINESS AND BODAL'S POSITION IN DYES AND DYE INTERMEDIATES INDUSTRY

The production of high quality dyes depends on use of high quality of intermediates, which are the basic and essential ingredients of Chemicals Industry. High quality of intermediates also facilitates the research, development and quality control of dyes.

- Bodal is the only company in India having in-house manufacturing facility starting from Basic Chemicals to Wide range of Dye Intermediates to Dyestuffs.
- Bodal is one of the leading producers of Dye intermediates & Dyestuff in the world.
- Export to more than 35 Countries.
- Well reputed for Consistency, Reliability, Quality and Timely Delivery among Global Dyestuffs Market.
- Bodal has total 8 manufacturing Units at different locations in Gujarat, India.
- Bodal has identified three Strategic Business Units :
  - Dyes (more than 150 products)
  - Dye Intermediates (more than 25 products)
  - Basic & Other Chemicals (more than 10 products)
- Bodal produces more than 150 dyes suitable for Textile, Leather & Paper industries.
- Bodal also produces Basic chemicals like Beta Naphthol, Sulphuric Acid, Padra Nitro Aniline & Acetanilide etc. for captive consumption as well as direct sale.

Bodal enjoy an abundant supply of basic/other chemicals for production of Dye Intermediates and Dye Intermediates for Dyes. Bodal has build up on technical services, marketing capabilities and production in bulk quantities to face competition from domestic as well as global. In this way, Bodal enjoy a position of one of the leader in Dyes and Dye Intermediates Industry.

### FINANCIAL PERFORMANCE AND OUTLOOK

Another toughest year in the history of Dyes and Dye Intermediates industry, where demand of the product was sluggish and uncertainty prevailing in the international market. In spite of this, the company has achieved decent Total Income from

operation of Rs.523.83 crore for the financial year 2012-13 compared to Rs.603.35 crore for the financial year 2011-12. EBITDA of Rs.24.76 crore for the year 2012-13 compared to Rs.6.10 crore in 2011-12. Financial charges (Interest) of Rs.39.19 crore for the year 2012-13 compared to Rs.33.81 crore for the previous year. Depreciation and Amortization Rs.16.42 crore for the 2012-13 compared to Rs.16.00 crore for the previous year. Net Loss of Rs.21.12 crore for the year 2012-13 compared to Net loss of Rs.28.31 crore in 2011-12.

The company has been taking several measures to improve margin and to get maximum productivity. On that basis Company is confident that bottom line of it will improve in current as well as coming years.

### **RISK AND CONCERNS/ CHALLENGES**

To sustain and grow in global market brings in uncertainties. Greater the uncertainties, higher the risk. The risk management function is integral to the company and its objectives includes ensuring that critical risk are identified continuously, monitored and managed effectively in order to protect the company's business.

However, the changes in the tax laws, Government policies and regulatory requirement might affect the company's business. Indian economy facing high inflation rate pressure leading to high interest rate, prices of inputs are expected to rise significantly. Increase in price of input materials could impact the company's profitability to the extent that the same are not absorbed by the market through price increase and / or could have a negative impact on the demand in the market. Currency risks mainly arise out of overseas operations and financing activities. Exchange rate fluctuation could significantly impact earnings because of earning in foreign currencies, expenditures in foreign currencies, borrowing in foreign currency. The company is operating in highly competitive market and also facing financial liquidity problem.

The management has already taken initiatives in advance for mitigating the above mentioned risk and concerns/challenges. The company has taken major initiatives like hedging of exposure in foreign currencies, strong marketing efforts, manufacturing customized products as per requirement of customers, focus on cost reduction through inventory management techniques, introduction of new products and manufacturing process without compromising quality of products and retain talented employees etc.

### **INTERNAL CONTROL FRAMEWORK**

The company has implemented a comprehensive internal control system to ensure the compliances of various laws with objective to direct, monitor and measure its resources. Internal control commensurate to its size and nature of business operations are being effectively established. The internal control has been established by standardizing and documenting policies and procedures for all major process, to ensure the reliability of financial reporting, timely feedback on the achievement of operational and strategic goals and compliance with laws and regulations. The internal audit function monitors the effectiveness of controls and also provides an independent and objective assessment of overall governance processes in the company.

### **ENVIRONMENT**

The Chemical Industry is subject to various stringent regulatory requirements of environment & Pollution Control regulations being legislated by the Government from time to time, including safety and emission norms. The Company addresses these issues through advance planning and allocation of sufficient physical and human resources, effluent treatment facilities and process controls.

### **DISCLAIMER CLAUSE**

This Directors' report, management discussion and analysis and any other part of this annual report may contain forward looking/ growth envisaging statements, figures or charts etc. and may refer to management/board's intention and set goals. The information in these documents may also contain data/statement and perception on future of the industry by management or as quoted from Industrial and other bodies or experts. All this information is merely giving an insight into the future of the industry and the company as perceived by the industrial & other bodies, experts and/or the management and the milestones towards which management shall strive to achieve. All such forward looking statements and information are subject to risks, uncertainties and assumptions and changes in this dynamic industrial, economical and political world in which we operate. These factors could cause actual results to differ materially from those contemplated by the relevant forward-looking statement & information.

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