



**Bodal Chemicals Ltd.**  
COLOURS. INTEGRATION. INNOVATION.

ANNUAL REPORT **2018-19**

**INTEGRATED  
THINKING.**

**FUTURE-CENTRIC  
MINDSET.**



# ACROSS THE PAGES

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## Investor information

### Market Capitalisation

as on March 31, 2019 : ₹ 15,487.43 Million

CIN : L24110GJ1986PLC009003

BSE Code : 524370

NSE Symbol : BODALCHEM

Dividend Declared : 40% on Face Value (i.e. ₹ 0.80)

AGM Date : 20th September 2019

AGM Venue : ATMA Auditorium, Opp. Old RBI Office,  
Ashram Road, Ahmedabad -380 009

**Disclaimer:** This document contains statements about expected future events and financials of Bodal Chemicals Ltd, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements may not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the Management Discussion and Analysis of this Annual Report.

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# INTEGRATED THINKING IS ABOUT EXTRACTING THE BEST VALUE FROM THE BUSINESS AND SOLIDIFYING THE FOUNDATION FOR THE FUTURE.



While our business value chain reduces our external dependencies, our strategic initiative during the year have further opened up venues of leveraging synergic benefits in the form of scaling up the core business.

As a future-focussed organisation, we are now heading towards transforming ourselves into a fully-integrated global Dyestuffs company. With even a stronger integration of business model, newer products and larger marketing base, we are looking forward towards driving consistent margins and profitability, creating value for the stakeholders associated with us.

## KPIs of 2018-19\*

**₹ 14,235.02  
Million,  
+ 24.63%**  
Revenue

**₹ 6,102.48 Million,  
+ 79.49%**

Revenue from exports



**₹ 1,412.99 Million,  
+ 15.89%**

PAT

\*on a consolidated basis

**₹ 2,494.94 Million,  
+ 22.37%**

EBITDA



# MULTIPLE ACTIONS REVOLVING AROUND SINGLE STRATEGY - INTEGRATED THINKING. THIS IS BODAL CHEMICALS LTD.

Incorporated in 1989, Bodal Chemicals Ltd (also mentioned as 'Bodal' or 'the Company') has successfully evolved as one of the globally leading, integrated Dyestuff companies from India. We have strategically fostered our growth in this industry through organic and inorganic route, while maintaining a commitment to safety and sustainability.

We have over 200 products in our product portfolio across Basic Chemicals, Dyestuff, Dye Intermediates and Speciality Chemicals. We own 9 manufacturing facilities across Gujarat and 1 facility in Uttar Pradesh with 7 depots across India. Our products are marketed across 150+ customers spread across 45+ countries globally. Our world-class laboratories and R&D facility in Gujarat further contribute towards achieving operational excellence and help in strengthening our product line & integrated manufacturing value chain.

Through our consistent efforts, we have remarkably touched lives of all our stakeholders. Further, we continue to explore opportunities in product expansion and offshore market which align with our transition philosophy.

**1989**

Year of inception

**200+**

Product portfolio

**10**

Manufacturing facilities

**150+**

Overseas customers

**45+**

Countries presence across the globe

**4**

Operating subsidiaries

- SPS Processors Pvt. Ltd. (**SPS**): 70% holding (acquired in 2017)

- Trion Chemicals Pvt. Ltd. (**TCPL**): 59% holding (acquired in 2017) (as associates in 2017 but as subsidiary in 2018-2019)

- Bodal Chemicals Trading Pvt. Ltd. (**BCTPL**): 100% holding (Indian trading subsidiary incorporated in 2018-2019)

- Bodal Chemicals Trading (Shijiazhuang) Co. Ltd.: 100% holding (China trading subsidiary incorporated in 2018-2019)



## Highlights 2018-19

### Operational

- Stabilised Dyestuff expansion by 12,000 MTPA
- Stabilised 5 MW co-generation power plant at unit 7
- Incorporated trading subsidiaries (India & China)
- Expanded Dyestuff powder capacity by 6,000 MTPA
- Completed capacity addition of 36,000 MTPA of Thionyl Chloride (TC) and commenced with the trial production

### Awards and accolades

- Awarded for highest self-manufacturing turnover from domestic and export of dyes and dye intermediates during 2016-17 by 'The Gujarat Dyestuffs Manufacturers Association' in June 2018
- Awarded 'first' in the large scale unit category for outstanding performance in the domestic market and 'second' in large scale unit category for excellent performance in export of Dyestuffs by 'The Dyestuff Manufacturers' Association of India' in July 2018
- Awarded as 'ET Enterprise Icons 2018'
- Received 'Gujarat Best Brand Award 2018'



# MESSAGE TO THE SHAREHOLDERS



## Dear Shareholders,

This has been a pleasing year at Bodal. We achieved a good set of financial results and satisfactory operational achievements despite challenging economic conditions. Our strategic endeavours towards business integration have further strengthened our competitiveness and allowed us to remain relevant for the future.

## Macro-economic environment

The year went by witnessed trade tariff wars between the world's two major economies which impacted the growth momentum across the globe. The uncertainty of the Brexit outcome in Europe further led to a sluggish growth across the developed and emerging nations. Even India had its own set of challenges in the form of volatile crude prices, liquidity crunch and rupee depreciation. It slowed down the overall momentum of the economy, leading to a mere 6.8% GDP growth, which was marginally higher than that in last year. However, with the renewed stability at the Centre, India will continue to progress on the back of positive reforms and investments across key growth sectors.

## Business environment

The global chemical industry continued to be impacted by the stringent environmental concerns and Government regulations in China. The consolidation in the Chinese chemical industry has led to several MNCs reworking the sourcing strategy and are now considering India as the major destination. Moreover, India has much stringent environmental norms for chemical business, which is largely preferred by the MNCs. As a result, there has been an upswing in demand and strong capex cycle across the industry. At Bodal, we proactively initiated capex plans and explored strategic acquisition opportunities to leverage upon this opportunity and consolidate our positioning in the industry.

**Around 40-45% of Basic Chemicals and Dye Intermediate is used for captive consumption.**

## Business performance

The Indian Dyestuff and Dye Intermediate industry has seen a massive transition. The country went from being a net importer to a leading exporter across the globe. The Indian Dyes market is expected to generate revenues worth approximately ₹ 48,000 Crores by 2022. The demand will be driven by the user industries such as textile, leather, paper and printing ink, among others. At Bodal, we are India's largest manufacturer of Dye Intermediates accounting for 20% of domestic capacity and 5% of global capacity. The business segment is well-diversified where majority of the revenue is generated from Dye Intermediates followed by Dyestuff, Basic Chemicals and others. We enhanced capacities of our Dyestuff business by 6,000 MTPA and Basic Chemicals by 36,000 MTPA.

## Financial performance

Our strong and consistent performance in 2018-19 is an outcome of the capacity expansions and the favourable industry dynamics during the year.



**The integrated nature of our business has resulted in higher captive consumption leading to lower operational costs and strong profitability.**



# Aspired to transform into a fully integrated global Dyestuff company with Future-centric mindset

## What we are today?

### 2018-19

- Revenue: ₹ 14,300 Million
- EBITDA: ₹ 2,500 Million
- PBT: ₹ 2,200 Million
- PAT: ₹ 1,400 Million
- Cash profit: ₹ 1,800 Million
- Net Worth: ₹ 8,300 Million
- Net Debt/Equity: 0.2
- Net Debt/EBITDA: 0.7

## What we intend to do further?

### 

- Calculated capacity expansions
- Strengthen business integration
- Diversify into new product lines
- Explore inorganic growth opportunities
- Enhance geographical presence
- Reduce energy costs

## What we envision?

### 2023-24

- Revenue: ₹ 29,000 Million
- EBITDA: ₹ 6,600 Million
- PBT: ₹ 4,600 Million
- PAT: ₹ 3,000 Million
- Cash profit: ₹ 4,000 Million
- Net Debt/Equity: 0.3
- Net Debt/EBITDA: 0.8

Given below are some of the prominent highlights on a consolidated basis:

- Total revenue from operation increased by 24.63 % to ₹ 14,235 Million in 2018-19 from ₹ 11,422 Million in 2017-18 owing to better product mix, better realisation and higher exports
- EBITDA increased by 22.37% to ₹ 2,495 Million in 2018-19 as compared to ₹ 2,039 Million in 2017-18
- PAT strengthened by 15.89% to ₹ 1,413 Million in 2018-19 as compared to ₹ 1,219 Million in 2017-18
- Debt to equity decreased from 0.26 in 2017-18 to 0.20 in 2018-19.

## Strategies for the next level of growth

We have several future strategies lined up that will further strengthen our integrated capabilities and allow to explore new product lines, newer geographies and wider applications. These include:

- Diversification into Chlor Alkali plant with capacities of ~300 TPD for in-house production of caustic soda flakes, caustic soda lye, chlorine and hydrogen, at Saykha GIDC, near Dahej

- Expansion of Sulphuric Acid plant with capacities of ~1,000 TPD to cater to the increasing requirements from dye intermediates, fertilisers, pharmaceuticals, alumina and textiles industries, at Saykha GIDC, near Dahej
- Expansion of Dyestuff capacities to ~19,200 MTPA at Padra, Vadodara to produce various shades of high-margin products and meet the global demand
- Addition of Turquoise Blue capacities to 4, 800 MTPA at Ahmedabad to capitalise on the nicheness of the product and strengthen our margins
- Acquiring 80% stake in a Turkish company for ₹ 320 Million to strengthen B2C business and enhance exposure to the newer markets

## The softer aspect

At Bodal, our business growth is driven by being concerned about three important aspects: by giving back to the community, by creating a healthy environment, and by proactively framing policies and standards which foster greater trust and transparency. Our consistent R&D outcome has helped us to improvise our sustainable production process, which

includes treatment of wastewater at plant. As far as community is concerned, we, through our CSR activities cover wide spectrum of activities across education, health, sports and animal welfare. We strictly comply with legal and regulatory norms which makes a comprehensive and lasting impact that will positively transform how all our stakeholders view our business.

## Closing thoughts

I would like to appreciate the efforts of our employees for their untiring and dedicated efforts. I would also like to acknowledge the support of our stakeholders and the Board for their relentless support in our growth journey. They have put utmost confidence in our experienced Management team who have remained quick in the execution of strategy of growth and value creation. I look forward to the next phase of development and will come back to you once again next year with the progress on our set strategies.

### Suresh J. Patel

Chief Executive Officer, Chairman & Managing Director



# BUSINESS MODEL AND VALUE CREATION

## INPUTS

### Manufacturing capital

10 manufacturing facilities

**Production capacity** (increased in last two years):

- Dyestuff: Increased by **18,000 MT** to **35,000 MT**
- Dye Intermediates: Increased by **3000 MT** to **33,000 MT**
- Basic Chemicals: Increased by **36,000 MT** to **226,000 MT**

### Financial capital

- Equity: ₹ **8,302.86 Million**
- Debt: ₹ **1,643.56 Million**
- Debt to equity: **0.20**

### Natural capital

- Effluent treatment plant
- Multiple-effect evaporator
- Effluent spray dryer plant
- Co-generation power plant

### Intellectual capital

- Three R&D laboratories
- Experience and qualified chemists and scientists
- Modern instruments

### Human capital

- **1,300+** people on board
- Training and grooming programs for skill development
- Attention to safety and health of the employees

### Relationship capital

Relationship with all the stakeholders including Government, regulatory bodies, investors, suppliers and customers

### Social capital

- Total CSR expenditure of ₹ **3.49 Crores**

## VALUE-ENABLERS

Integrated business model leading to cost competitiveness and protection against commodity cycle

Diversified product portfolio

Strong and experienced Management team with continuous focus on growth and increase in shareholders' value

Strong customer relationship across the globe

Successful and consistent track record of organic and inorganic growth



## VALUES-CREATED

Well- equipped production facilities and laboratories. Strict quality adherence and continuous investment into R&D



Strict environmental compliance with in-house ETP and MEEP plants



Presence in multiple countries minimising country-specific risks



Strong exports presence



### Manufacturing capital

#### Production in 2018-19:

- Dyestuff: **18,588 MT**
- Dye Intermediates: **23,674 MT**
- Basic Chemicals: **188,534 MT**

### Financial capital

#### Financial performance in 2018-19:

- Total income: ₹ **14,369 Million** • EBITDA: ₹ **2,495 Million**
- PAT: ₹ **1,413 Million** • EPS: ₹ **11.56** • DPS: ₹ **0.80**
- ROE: **17%** • ROCE: **27%**

### Natural capital

- Reusage of water • Zero liquid discharge • Effectively disposable waste • Saving of electricity • Cost optimised process • No shutdown of units

### Intellectual capital

- Constant improvement in the existing product line • Process improvements with consistent quality • In-house raw material production leading to strengthening of the integrated value chain of the business

### Human capital

- Skilled employees • Lower chances of accident occurrence • Productive working environment • Increased employee retention rate

### Relationship capital

- Adherence to stringent regulatory and environmental norms • Transparent disclosures and strong governance
- Consistent contribution to the national exchequers by means of direct and indirect taxes • Consistently rewarding investors with dividends • Strong relationship with vendors and suppliers • Strong relationship with customers across the globe

### Social capital

- Community upliftment through promotion of education, healthcare, sports, economic, rural upliftment

# PRODUCT SEGMENTS

**Our products cater to industries such as textile, leather, paper, detergent and water treatment which touch upon everyone's life in day-to-day activities.**

